

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Lenawee County	County Lenawee County
Fiscal Year End December 31, 2006	Opinion Date May 16, 2007	Date Audit Report Submitted to State May 29, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

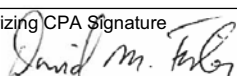
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe) (SINGLE AUDIT)	<input checked="" type="checkbox"/>			
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number 517.787.6503		
Street Address 675 Robinson Road		City Jackson	State MI	Zip 49203
Authorizing CPA Signature 		Printed Name David M. Fisher, CPA		License Number 10337



**Audited Financial Statements
and
Single Audit Act Compliance**

**For The Year Ended
December 31, 2006**



REHMANN ROBSON

Certified Public Accountants

LENAWEE COUNTY, MICHIGAN

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report.....	1-2
Management's Discussion and Analysis.....	3-14
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities.....	16-17
Fund Financial Statements:	
Balance Sheet – Governmental Funds	18
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund.....	22
Revenue Sharing Reserve Fund	23
Statement of Net Assets – Proprietary Funds	24
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	25
Statement of Cash Flows – Proprietary Funds.....	26-27
Statement of Fiduciary Net Assets – Agency Funds.....	28
Notes to the Financial Statements	29-50
Required Supplementary Information:	
GASB Statement #25	51-53
Combining and Individual Fund Financial Statements and Schedules:	
General Fund – Detail Schedule of Revenue, Expenditures and Changes in Fund Balance – Amended Budget and Actual	54-60
Combining Balance Sheet – Nonmajor Governmental Funds	61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	62
Combining Balance Sheet – Nonmajor Special Revenue Funds	63-66
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds	67-70
Combining Balance Sheet – Nonmajor Capital Projects Funds.....	71

LENAWEE COUNTY, MICHIGAN

TABLE OF CONTENTS (Concluded)

	<u>PAGE</u>
Combining and Individual Fund Statements and Schedules: (Concluded)	
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds.....	72
Combining Statement of Net Assets – Nonmajor Enterprise Funds	73
Combining Statement of Revenue, Expenses and Changes in Fund Net Assets – Nonmajor Enterprise Funds.....	74
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	75-76
Combining Balance Sheet – All Agency Funds.....	77
 SINGLE AUDIT ACT COMPLIANCE	
 Schedule of Expenditures of Federal Awards	78-80
Notes to the Schedule of Expenditures of Federal Awards.....	81
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Primary Government Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	82-83
Independent Auditors’ Report on Compliance with Requirements Applicable to Major Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	84-86
Schedule of Findings and Questioned Costs.....	87-90

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

May 16, 2007

To the Board of Commissioners of
Lenawee County, Michigan
Adrian, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **LENAWEE COUNTY, MICHIGAN**, as of and for the year ended December 31, 2006, which collectively comprise the basic financial statements of the County's primary government, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Medical Care Facility Enterprise Fund which is a major fund, and therefore, a separate opinion unit. In addition, the Medical Care Facility represents 28% and 74% of the business-type activity assets and program revenues, respectively. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Medical Care Facility, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Medical Care Facility Enterprise Fund were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that includes the financial data for its component units. The County has not issued such reporting entity financial statements. This is a departure from accounting principles generally accepted in the United States of America. The amounts that should be reported for the discretely presented component units are unknown.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Lenawee County, as of December 31, 2006, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of Lenawee County, Michigan, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General and Revenue Sharing Reserve funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2007, on our consideration of the **County of Lenawee, Michigan's** internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and GASB Statement 25 supplementary information as listed in the table of contents, are not a required part of the basic financial statements of the primary government but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the County's primary government. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly presented in all material respects in relation to the basic financial statements of the primary government taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Lenawee County, Michigan we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2006.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$82,675,156 (*net assets*). Of this amount, \$31,132,817 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$9,998,344 during 2006.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$25,975,919, an increase of \$3,956,645 in comparison with the prior year primarily in large part as a result of an increase in the revenue sharing reserve fund. The unreserved portion of the fund balance that is designated for future expenditures is \$2,649,196. The unreserved undesignated fund balance is \$23,101,130.
- At the end of the current fiscal year, the unreserved fund balance for the general fund was \$8,239,429, or approximately 39 percent of total general fund expenditures. Total fund balance for the general fund was \$8,464,429.
- The County's total general obligation bond debt increased by \$1,505,000 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Lenawee County's basic financial statements. Lenawee County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, health, social and youth services, public works, and community culture and recreation. The business-type activities of the County include delinquent tax collections and property foreclosures.

The government-wide financial statements do not include two legally separate authorities: the Lenawee County Drain Commission and the Lenawee County Road Commission – for which the County is financially accountable. Financial information for these *component units* are reported in financial statements separate from the financial information presented for the primary government itself. Component unit financial statements may be obtained from the individual commissions. The Lenawee County Building Authority, although also legally separate, functions for all practical purposes as a department of the County, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 15-17 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains thirty-nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and Revenue Sharing Reserve funds, all of which are considered to be major funds. Data from the other thirty-seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 18-23 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its delinquent tax operations and property foreclosures. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its general office supplies for all departments. Because this service predominantly benefits governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the delinquent tax operations, the Human Services Building, the Medical Care Facility, and the Airport, each of which is considered to be a major fund of the County. Conversely, all internal service functions are presented as a single fund in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 24-27 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 28 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-50 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to a schedule concerning the County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 51-53 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor enterprise funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 54-77 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County of Lenawee, assets exceeded liabilities by \$82,675,156 at the close of the most recent fiscal year.

By far the largest portion of the County's net assets (39 percent) reflects its investment in capital assets (i.e., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities

Lenawee County's Net Assets

	<u>Governmental</u> <u>activities</u>		<u>Business-type</u> <u>activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$32,237,207	\$30,826,158	\$23,841,338	\$20,613,913	\$56,078,545	\$51,440,071
Capital assets	21,041,700	19,989,486	21,824,508	19,707,613	42,866,208	39,697,099
Total assets	53,278,907	50,815,644	45,665,846	40,321,526	98,944,753	91,137,170
Long-term liabilities outstanding	5,856,192	6,148,491	5,770,000	3,940,000	11,626,192	10,088,491
Other liabilities	3,092,453	7,159,408	1,550,952	1,212,459	4,643,405	8,371,867
Total liabilities	8,948,645	13,307,899	7,320,952	5,152,459	16,269,597	18,460,358
Net assets:						
Invested in capital assets, net						
of related debt	16,072,757	14,746,211	16,054,508	15,767,613	32,127,265	30,513,824
Restricted	17,823,840	14,100,075	1,591,234	467,941	19,415,074	14,568,016
Unrestricted	10,433,665	8,661,459	20,699,152	18,933,513	31,132,817	27,594,972
Total net assets	\$44,330,262	\$37,507,745	\$38,344,894	\$35,169,067	\$82,675,156	\$72,676,812

A portion of the County's net assets (23 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$31,132,817 (38 percent), may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

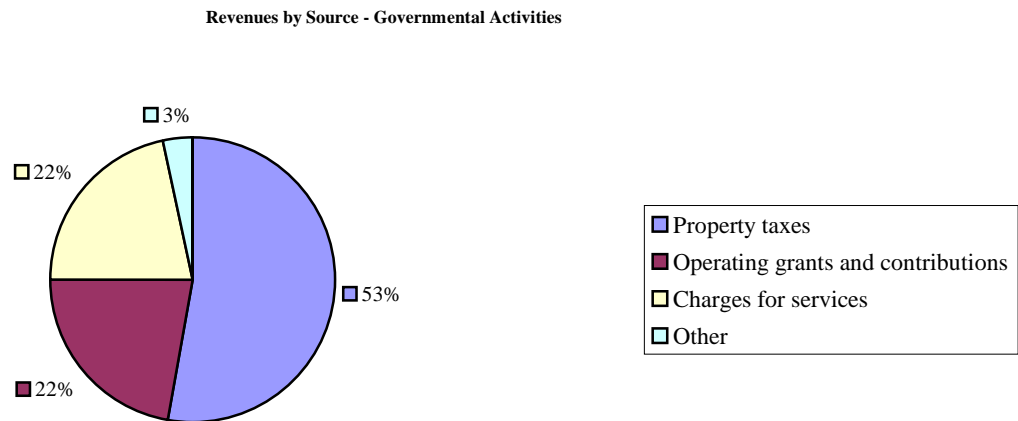
Lenawee County's Changes in Net Assets

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenue:						
Program revenue:						
Charges for services	\$ 9,061,119	\$ 9,235,719	\$ 12,721,049	\$ 10,964,633	\$ 21,782,168	\$ 20,200,352
Operating grants and contributions	9,418,899	9,727,812	-	-	9,418,899	9,727,812
Capital grants and contributions	-	-	877,134	4,929,563	877,134	4,929,563
General revenue:						
Property taxes	22,158,274	20,950,788	-	-	22,158,274	20,950,788
Unrestricted investment earnings	1,099,279	653,664	1,362,827	980,806	2,462,106	1,634,470
Other Revenue	329,417	316,055	-	-	329,417	316,055
Gain on sale of capital assets	-	-	-	-	-	-
Total revenue	<u>42,066,988</u>	<u>40,884,038</u>	<u>14,961,010</u>	<u>16,875,002</u>	<u>57,027,998</u>	<u>57,759,040</u>
Expenses:						
General government	5,241,729	5,739,240	-	-	5,241,729	5,739,240
Public safety	168,662	248,639	-	-	168,662	248,639
Public works	5,944,408	5,802,721	-	-	5,944,408	5,802,721
Legislative	9,510,821	9,255,083	-	-	9,510,821	9,255,083
Judicial	208,457	195,516	-	-	208,457	195,516
Health and welfare	11,317,879	10,294,900	-	-	11,317,879	10,294,900
Community enrichment & development	2,910,068	3,176,210	-	-	2,910,068	3,176,210
Interest on bonds	169,790	176,277	-	-	169,790	176,277
Medical Care Facility	-	-	9,514,948	8,641,717	9,514,948	8,641,717
Airport	-	-	175,962	926,360	175,962	926,360
Human Services Building Operations	-	-	906,351	1,217,389	906,351	1,217,389
Jail Commissary	-	-	187,864	31,274	187,864	31,274
Summer Tax Administration	-	-	120,281	111,796	120,281	111,796
Delinquent Tax Admin/Revolving	-	-	204,416	165,376	204,416	165,376
Equalization assessment services	-	-	241,560	228,305	241,560	228,305
Business Loan Revolving	-	-	206,458	47	206,458	47
Total expenses	<u>35,471,814</u>	<u>34,888,586</u>	<u>11,557,840</u>	<u>11,322,264</u>	<u>47,029,654</u>	<u>46,210,850</u>
Increase in net assets before transfers	6,595,174	5,995,452	3,403,170	5,552,738	9,998,344	11,548,190
Transfers	<u>227,343</u>	<u>(454,222)</u>	<u>(227,343)</u>	<u>492,472</u>	<u>-</u>	<u>38,250</u>
Increase in net assets	6,822,517	5,541,230	3,175,827	6,045,210	9,998,344	11,586,440
Net assets - beginning of year, as restated	<u>37,507,745</u>	<u>31,966,515</u>	<u>35,169,067</u>	<u>29,123,857</u>	<u>72,676,812</u>	<u>61,090,372</u>
Net assets - end of year	<u>\$ 44,330,262</u>	<u>\$ 37,507,745</u>	<u>\$ 38,344,894</u>	<u>\$ 35,169,067</u>	<u>\$ 82,675,156</u>	<u>\$ 72,676,812</u>

Governmental activities. Governmental activities increased the County's net assets by \$6,822,517, while business type activities increased the net assets by \$3,175,827. Key elements of these increases are as follows:

- Property taxes increased by approximately \$1,207,486 during the year.
- Interest earnings during the year were up \$445,615 (68 percent) due to a continuing increase in interest rates.
- Expenditures increased by only \$583,228 (less than two percent).

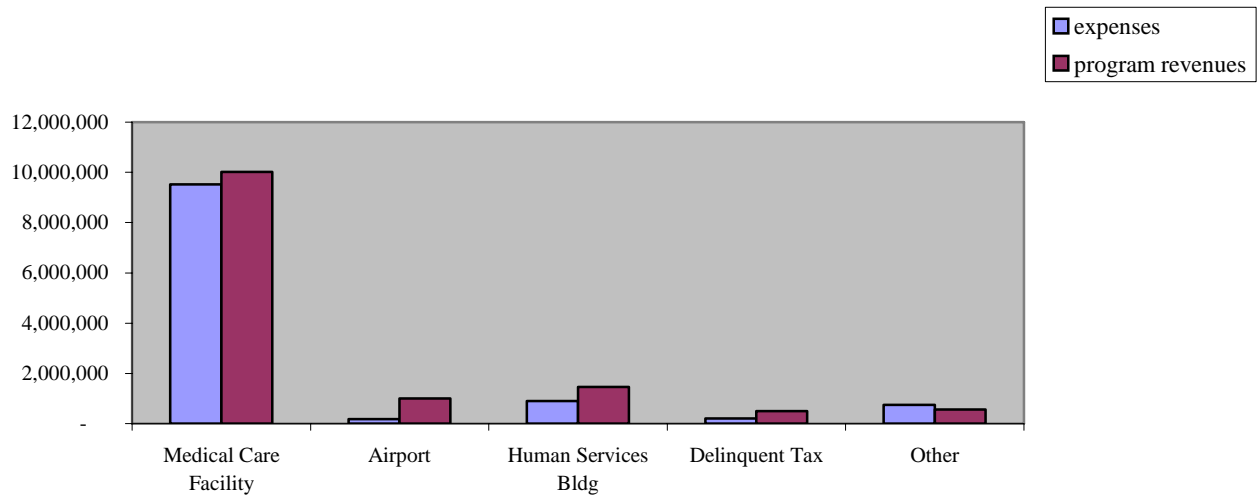
Revenues by Source - Governmental Activities



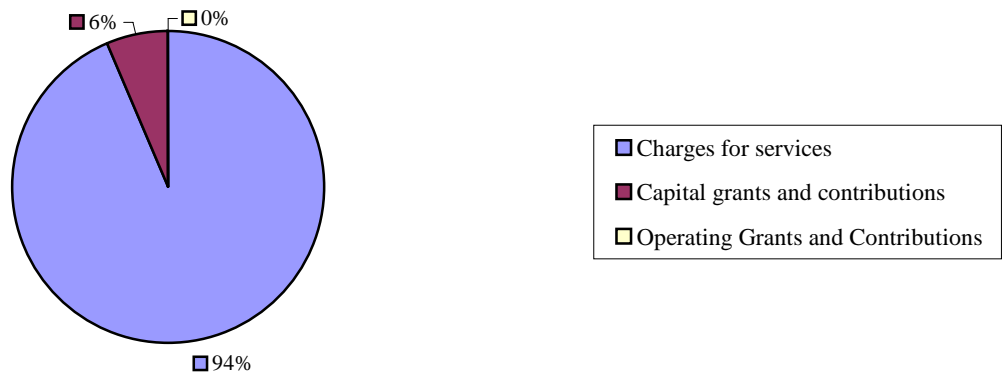
Business-type activities. Business-type activities increased the County's net assets by \$3,175,827, accounting for 31 percent of the total growth in the government's net assets for the current year. Key elements of this increase are as follows:

- Charges for services was the largest growth area in the business-type activities, with a \$1,756,416 increase.

Expenses and Program Revenues - Business-type Activities



Program Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, Lenawee County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$25,975,919. Most of this total amount (\$23 million) constitutes *unreserved, undesignated fund balance*, which is available for spending at the government's discretion. \$2.6 million is unreserved, but designated for future expenditures. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed: 1) prepaid expenditures (\$593) and 2) for long-term advances (\$225,000).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$8,239,429, while total fund balance was \$8,464,429. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 39 percent of total general fund expenditures.

The fund balance of the County's general fund increased by \$710,654 during the current fiscal year. This is primarily attributed to higher than expected interest earnings.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the delinquent tax, building authority, medical care facility, and airport funds at the end of the year amounted to \$15,242,260, \$438,801, \$3,149,323, and \$(12,295) respectively. Nonmajor enterprise funds had \$1,881,063. Other factors concerning the finances of these two funds have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

The difference between budgeted and actual expenditures was almost five percent, (a \$1,062,864 variance) and can be briefly summarized as follows:

- \$413,398 in judicial decreases
- \$33,872 in health and welfare decreases
- \$606,713 in general government decreases
- \$20,766 in public safety decreases

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business type activities as of December 31, 2006, amounted to \$42,866,208 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment and furniture, and vehicles. The total increase in the County's investment in capital assets for the current fiscal year was \$3 million.

Major capital asset events during the current fiscal year included the following:

- Construction in progress for the Medical Care Facility renovation and addition of a new wing
- Purchase of the Robertson Building
- Various equipment and furniture purchases

Lenawee County's Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land and land improvements	\$ 2,308,910	\$ 2,308,910	\$ 5,085,476	\$ 5,288,188	\$ 7,394,386	\$ 7,597,098
Buildings and improvements	16,176,955	16,051,898	9,723,863	9,954,221	25,900,818	26,006,119
Vehicles	525,908	398,698	0	7,741	525,908	406,439
Equipment and furniture	1,213,343	1,072,589	971,449	1,007,241	2,184,792	2,079,830
Construction in Progress	816,584	157,391	6,043,720		6,860,304	3,607,613
Total	<u>\$21,041,700</u>	<u>\$19,989,486</u>	<u>\$21,824,508</u>	<u>\$19,707,613</u>	<u>\$42,866,208</u>	<u>\$39,697,099</u>

Additional information on the County's capital assets can be found in note III.C on pages 40-41 of this report.

Long-term debt. At the end of the current fiscal year, the County had total bonded debt outstanding of \$10,825,000.

Lenawee County's Outstanding Debt
General Obligation Bonds

	Governmental activities		Business-type activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General obligation bonds	\$ 5,055,000	\$ 5,380,000	\$ 5,770,000	\$ 3,940,000	\$ 10,825,000	\$ 9,320,000
Total	\$ 5,055,000	\$ 5,380,000	\$ 5,770,000	\$ 3,940,000	\$ 10,825,000	\$ 9,320,000

The County's total general obligation bonds increased by \$1,505,000 during the current fiscal year.

The county is contingently liable for long-term bonds of various municipal and sewerage districts for a total of \$18.3 million.

A significant portion of the County's debt activity occurs in the County's Internal Loan Fund (operating like a bank) and involving short, intermediate and long-term debt.

The County has an "A2" rating for bonds from Moody's. The County has an "A" rating from Standard & Poor's.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation (i.e. State Equalized Value). The current debt limitation for the County is \$404,447,576, which is significantly in excess of the County's outstanding general obligation debt.

Additional information on the County's long-term debt can be found in note III.F on pages 44-45 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the County's budget for the 2007 fiscal year:

- The unemployment rate for the County is currently 8.4 percent (February, 2007), which is an increase from the average rate of 7.2 percent for 2006. This compares with the state's unemployment rate of 7.7 percent (February, 2007) and the current national rate of 4.6 percent (February 2007).
- Projections for continued growth in taxable value of real and personal property.
- Completion of the shift in the collection of property taxes from December to July which was phased in over a three year period.
- Continued uncertainty with state government's financial status and its impact on the County's budget.

During the current fiscal year, the unreserved fund balance in the general fund increased to \$8.2 million. The County has appropriated \$1,466,833 of this amount for spending in the 2007 fiscal year budgets. It is intended that this use of available fund balance will avoid the need to substantially reduce services during the 2007 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Lenawee County Administrator's Office, 301 North Main Street, Adrian, Michigan 49221.

Basic Financial Statements

Government-wide Financial Statements

LENAWEE COUNTY, MICHIGAN
Statement of Net Assets
December 31, 2006

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and cash equivalents	\$ 21,378,397	\$ 18,225,521	\$ 39,603,918
Receivables	8,752,853	5,074,966	13,827,819
Internal balances	(169,026)	169,026	-
Inventory, prepaids, and other assets	2,274,983	371,825	2,646,808
Capital assets not being depreciated	3,125,494	10,975,870	14,101,364
Capital assets being depreciated, net	17,916,206	10,848,638	28,764,844
Total assets	53,278,907	45,665,846	98,944,753
Liabilities			
Accounts payable and accrued expenses	1,859,029	1,282,476	3,141,505
Unearned revenue	1,233,424	268,476	1,501,900
Noncurrent liabilities:			
Due within one year	1,151,192	850,000	2,001,192
Due in more than one year	4,705,000	4,920,000	9,625,000
Total liabilities	8,948,645	7,320,952	16,269,597
Net Assets			
Invested in capital assets, net of related debt	16,072,757	16,054,508	32,127,265
Restricted for:			
Debt service	1,512,399	41,733	1,554,132
State mandated programs	15,661,732	-	15,661,732
Capital projects	649,709	1,549,501	2,199,210
Unrestricted	10,433,665	20,699,152	31,132,817
Total net assets	\$ 44,330,262	\$ 38,344,894	\$ 82,675,156

The accompanying notes are an integral part of these financial statements.

LENAWEE COUNTY, MICHIGAN
Statement of Activities
For the Year Ended December 31, 2006

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 5,241,729	\$ 1,339,912	\$ 282,773	\$ -	\$ (3,619,044)
Legislative	168,662	-	-	-	(168,662)
Judicial	5,944,408	2,555,212	2,588,506	-	(800,690)
Public safety	9,510,821	1,823,268	1,216,296	-	(6,471,257)
Public works	208,457	8,000	12,496	-	(187,961)
Health and welfare	11,317,879	1,741,735	5,170,413	-	(4,405,731)
Community enrichment & development	2,910,068	1,592,992	148,415	-	(1,168,661)
Interest on bonds	169,790	-	-	-	(169,790)
Total governmental activities	35,471,814	9,061,119	9,418,899	-	(16,991,796)
Business-type activities:					
Medical Care Facility	9,514,948	10,015,504	-	-	500,556
Airport	175,962	123,045	-	877,134	824,217
Human Services Building Operations	906,351	1,461,201	-	-	554,850
Jail Commissary	187,864	187,373	-	-	(491)
Summer Tax Administration	120,281	77,480	-	-	(42,801)
Delinquent Tax Admin/Revolving	204,416	499,364	-	-	294,948
Equalization assesment services	241,560	255,775	-	-	14,215
Business Loan Revolving	206,458	101,307	-	-	(105,151)
Total business-type activities	11,557,840	12,721,049	-	877,134	2,040,343
Total primary government	\$ 47,029,654	\$ 21,782,168	\$ 9,418,899	\$ 877,134	\$ (14,951,453)

continued...

LENAWEE COUNTY, MICHIGAN
Statement of Activities (Concluded)
For the Year Ended December 31, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue	\$ (16,991,796)	\$ 2,040,343	\$ (14,951,453)
General revenues:			
Property taxes	22,158,274	-	22,158,274
Unrestricted investment earnings	1,099,279	1,362,827	2,462,106
Other revenue	329,417	-	329,417
Transfers - internal activities	227,343	(227,343)	-
Total general revenues and transfers	23,814,313	1,135,484	24,949,797
Change in net assets	6,822,517	3,175,827	9,998,344
Net assets, beginning of year, as restated	37,507,745	35,169,067	72,676,812
Net assets, end of year	\$ 44,330,262	\$ 38,344,894	\$ 82,675,156

The accompanying notes are an integral part of these financial statements.

Fund Financial Statements

LENAWEE COUNTY, MICHIGAN
Balance Sheet
Governmental Funds
December 31, 2006

	General	285 Revenue Sharing Reserve	Nonmajor Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 8,474,501	\$ 5,479,122	\$ 7,038,412	\$ 20,992,035
Deposits and escrow	-	-	731,034	731,034
Taxes receivable	5,667,429	-	547,983	6,215,412
Accounts receivable	145,121	-	706,752	851,873
Due from other governments	361,447	-	1,099,121	1,460,568
Interfund receivable	134,564	-	-	134,564
Due from other funds	90,000	4,317,597	7,400	4,414,997
Advance to component unit	225,000	-	-	225,000
Prepaid expenditures	-	-	593	593
<u>TOTAL ASSETS</u>	\$ 15,098,062	\$ 9,796,719	\$ 10,131,295	\$ 35,026,076
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts and contracts payable	\$ 426,075	\$ -	\$ 626,208	\$ 1,052,283
Accrued wages and benefits	303,917	-	273,764	577,681
Interfund payable	-	-	134,564	134,564
Due to other funds	4,577,623	-	6,400	4,584,023
Deferred revenue	1,326,018	-	1,200,111	2,526,129
Other liabilities	-	-	132,477	132,477
Deposits and trust monies held	-	-	43,000	43,000
Total liabilities	6,633,633	-	2,416,524	9,050,157
Fund balances				
Reserved for long-term advances	225,000	-	-	225,000
Reserved for prepaid expenditures	-	-	593	593
Unreserved - designated for future expenditures	1,466,833	-	-	1,466,833
Reported in nonmajor special revenue funds	-	-	827,152	827,152
Reported in nonmajor capital project funds	-	-	355,211	355,211
Unreserved - undesignated	6,772,596	9,796,719	-	16,569,315
Reported in nonmajor special revenue funds	-	-	4,671,073	4,671,073
Reported in nonmajor debt service funds	-	-	1,480,187	1,480,187
Reported in nonmajor capital project funds	-	-	380,555	380,555
Total fund balances	8,464,429	9,796,719	7,714,771	25,975,919
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	\$ 15,098,062	\$ 9,796,719	\$ 10,131,295	\$ 35,026,076

The accompanying notes are an integral part of these financial statements.

LENAWEE COUNTY, MICHIGAN
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
December 31, 2006

Fund balances - total governmental funds	\$ 25,975,919
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets, net of accumulated depreciation	21,041,700
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Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance

Add - long-term receivables included in deferred revenue	1,292,705
--	-----------

Governmental funds report expenditures equal to amounts contributed to defined benefit pension plans. However, in the statement of activities, net pension costs are equal to actuarially determined net pension costs. Differences between actuarially determined net pension costs and annual contributions are accumulated and reported as net pension (obligations)/assets.

Add - net pension asset	1,495,375
-------------------------	-----------

An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

Add - net assets of governmental activities accounted for in the internal service fund	408,302
--	---------

Certain liabilities, such as bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds payable	(5,055,000)
Deduct - compensated absences	(801,192)
Deduct - accrued interest on long-term liabilities	(27,547)
	(5,923,739)

Net assets of governmental activities	\$ 44,330,262
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The accompanying notes are an integral part of these financial statements.

LENAWEE COUNTY, MICHIGAN
Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	285 Revenue Sharing Reserve	Nonmajor Governmental Funds	Total Governmental Funds
Revenue				
Taxes	\$ 15,049,319	\$ 4,698,060	\$ 1,999,461	\$ 21,746,840
Licenses and permits	177,347	-	1,758,663	1,936,010
Fines and forfeits	510,281	-	-	510,281
Use of money and property	1,033,257	-	85,167	1,118,424
Federal grants	1,341,941	-	1,866,455	3,208,396
State grants	1,606,235	-	3,580,636	5,186,871
Other intergovernmental revenue	-	-	1,459,826	1,459,826
Charges for services	3,241,421	-	1,268,767	4,510,188
Other	385,038	-	1,414,996	1,800,034
Total revenue	23,344,839	4,698,060	13,433,971	41,476,870
Expenditures				
Current:				
Legislative	251,864	-	-	251,864
General government	2,060,560	-	88,064	2,148,624
Judicial	5,741,908	-	210,114	5,952,022
Public safety	7,758,962	-	2,396,679	10,155,641
Health and welfare	872,252	-	10,446,508	11,318,760
Community enrichment and development	49,399	-	3,014,250	3,063,649
General support services	4,012,769	-	-	4,012,769
Public works	214,194	-	-	214,194
Other	162,458	-	-	162,458
Debt service:				
Principal	-	-	325,000	325,000
Interest and fiscal charges	-	-	170,943	170,943
Total expenditures	21,124,366	-	16,651,558	37,775,924
Revenue over (under) expenditures	2,220,473	4,698,060	(3,217,587)	3,700,946
Other financing sources (uses)				
Proceeds from sale of capital assets	28,356	-	-	28,356
Transfers in:				
County appropriation	-	-	3,687,705	3,687,705
Other	2,238,842	-	74,638	2,313,480
Transfers (out)	(3,777,017)	(1,795,474)	(201,351)	(5,773,842)
Total other financing sources (uses)	(1,509,819)	(1,795,474)	3,560,992	255,699
Net change in fund balances	710,654	2,902,586	343,405	3,956,645
Fund balance, beginning of year	7,753,775	6,894,133	7,371,366	22,019,274
Fund balance, end of year	\$ 8,464,429	\$ 9,796,719	\$ 7,714,771	\$ 25,975,919

The accompanying notes are an integral part of these financial statements.

LENAWEE COUNTY, MICHIGAN
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2006

Net change in fund balances - total governmental funds \$ 3,956,645

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	2,000,099
Deduct - depreciation expense	(910,472)

Governmental funds report proceeds from the sale of capital assets as other financing sources. However, in the statement of activities, the net book value of the capital assets are deducted from the proceeds and a gain on the sale of capital assets is reported.

Deduct - net book value of capital assets	(37,413)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Add - change in deferred long-term receivables	178,684
Add - change in unavailable property taxes receivable	411,434

Governmental funds report expenditures equal to amounts contributed to defined benefit pension plans. However, in the statement of activities, net pension costs are equal to actuarially determined net pension costs.

Add - excess of contributions over net pension cost	876,534
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on bonds payable	325,000
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An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Add - net operating income from governmental activities in internal service fund	53,554
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in accrued interest payable on bonds	1,153
Deduct - increase in the accrual for compensated absences	(32,701)

Change in net assets of governmental activities	\$ 6,822,517
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The accompanying notes are an integral part of these financial statements.

LENAWEE COUNTY, MICHIGAN
Statement of Revenue, Expenditures
And Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue				
Taxes	\$ 13,830,769	\$ 13,830,769	\$ 15,049,319	\$ 1,218,550
Licenses and permits	172,575	172,575	177,347	4,772
Fines and forfeits	530,600	530,600	510,281	(20,319)
Use of money and property	254,145	254,145	1,033,257	779,112
Federal grants	1,661,516	1,705,829	1,341,941	(363,888)
State grants	1,530,019	1,624,552	1,606,235	(18,317)
Charges for services	3,110,546	3,110,546	3,241,421	130,875
Other	194,850	249,331	385,038	135,707
Total revenue	21,285,020	21,478,347	23,344,839	1,866,492
Expenditures				
Legislative	242,170	250,670	251,864	(1,194)
General government	2,666,865	2,667,273	2,060,560	606,713
Judicial	6,117,160	6,155,306	5,741,908	413,398
Public safety	7,641,382	7,779,728	7,758,962	20,766
Health and welfare	905,260	906,124	872,252	33,872
Community enrichment and development	49,399	49,399	49,399	-
General support services	3,932,213	4,012,965	4,012,769	196
Public works	202,879	203,306	214,194	(10,888)
Other	179,303	162,459	162,458	1
Total expenditures	21,936,631	22,187,230	21,124,366	1,062,864
Revenue over (under) expenditures	(651,611)	(708,883)	2,220,473	2,929,356
Other financing sources (uses)				
Proceeds from sale of capital assets	-	28,356	28,356	-
Transfers in	1,895,051	2,161,108	2,238,842	77,734
Transfers (out)	(3,556,963)	(3,777,017)	(3,777,017)	-
Total other financing sources (uses)	(1,661,912)	(1,587,553)	(1,509,819)	77,734
Net change in fund balances	(2,313,523)	(2,296,436)	710,654	3,007,090
Fund balance, beginning of year	7,753,775	7,753,775	7,753,775	-
Fund balance, end of year	\$ 5,440,252	\$ 5,457,339	\$ 8,464,429	\$ 3,007,090

The accompanying notes are an integral part of these financial statements.

LENAWEE COUNTY, MICHIGAN
Revenue Sharing Reserve Fund
Statement of Revenue, Expenditures and
Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2006
(With Comparative Actual Amounts for the Year Ended September 30, 2005)

	<u>2006</u>				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Positive (Negative)</u>	<u>2005 Actual</u>
	<u>Original</u>	<u>Final</u>			
Revenue					
Taxes	\$ 4,698,060	\$ 4,698,060	\$ 4,698,060	\$ -	\$ 4,698,060
Other financing uses					
Transfers out	(1,795,474)	(1,795,474)	(1,795,474)	-	(1,760,269)
Net change in fund balances	2,902,586	2,902,586	2,902,586	-	2,937,791
Fund balance, beginning of year	6,894,133	6,894,133	6,894,133	-	3,956,342
Fund balance, end of year	<u>\$ 9,796,719</u>	<u>\$ 9,796,719</u>	<u>\$ 9,796,719</u>	<u>\$ -</u>	<u>\$ 6,894,133</u>

The accompanying notes are an integral part of these financial statements.

LENAWEE COUNTY, MICHIGAN
Statement of Net Assets
Proprietary Funds
December 31, 2006

	Business-type Activities						Governmental Activities
	616 & 606 Delinquent Tax Revolving	Building Authority	Medical Care Facility	581 Airport	Nonmajor Enterprise Funds	Total	Internal Service 633 Central Stores
Assets							
Current assets							
Cash and cash equivalents	\$ 11,716,377	\$ 825,280	\$ 1,463,263	\$ 27,424	\$ 680,351	\$ 14,712,695	\$ 386,362
Restricted cash and cash equivalents	-	-	3,512,826	-	-	3,512,826	-
Accounts receivable	337,781	-	733,428	91,074	76,409	1,238,692	-
Delinquent taxes receivable	2,341,747	-	-	-	-	2,341,747	-
Interfund receivable	52,246	-	-	-	-	52,246	-
Due from other funds	494,109	-	-	-	-	494,109	-
Advance to component unit	300,000	-	-	-	-	300,000	-
Inventory	-	-	-	-	-	-	47,981
Prepaid expenses	-	-	177,597	-	-	177,597	-
Total current assets	15,242,260	825,280	5,887,114	118,498	756,760	22,829,912	434,343
Other assets							
Loans receivable, net	-	-	-	-	1,194,527	1,194,527	-
Deferred cost on bond reissue, net of amortization	-	104,526	89,702	-	-	194,228	-
Capital assets, net of accumulated depreciation	-	5,176,022	6,837,777	9,810,709	-	21,824,508	-
Total other assets	-	5,280,548	6,927,479	9,810,709	1,194,527	23,213,263	-
Total assets	15,242,260	6,105,828	12,814,593	9,929,207	1,951,287	46,043,175	434,343
Liabilities							
Current liabilities							
Accounts payable	-	7,002	770,998	4,656	12,947	795,603	26,041
Accrued wages and benefits	-	6,041	405,473	1,054	5,031	417,599	-
Accrued interest payable	-	9,486	-	-	-	9,486	-
Accrued expenses and deposits	-	-	59,788	-	-	59,788	-
Interfund payable	-	-	-	-	52,246	52,246	-
Due to other funds	-	200,000	-	125,083	-	325,083	-
Unearned revenue	-	268,476	-	-	-	268,476	-
Current portion of bonds payable	-	655,000	195,000	-	-	850,000	-
Total current liabilities	-	1,146,005	1,431,259	130,793	70,224	2,778,281	26,041
Long-term debt							
Bonds payable	-	1,360,000	3,560,000	-	-	4,920,000	-
Total liabilities	-	2,506,005	4,991,259	130,793	70,224	7,698,281	26,041
Net assets							
Invested in capital assets, net of related debt	-	3,161,022	3,082,777	9,810,709	-	16,054,508	-
Restricted	-	-	1,591,234	-	-	1,591,234	-
Unrestricted (deficit)	15,242,260	438,801	3,149,323	(12,295)	1,881,063	20,699,152	408,302
Total net assets	\$ 15,242,260	\$ 3,599,823	\$ 7,823,334	\$ 9,798,414	\$ 1,881,063	\$ 38,344,894	\$ 408,302

The accompanying notes are an integral part of these financial statements.

LENAWEE COUNTY, MICHIGAN
Statement of Revenue, Expenses and
Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2006

	Business-type Activities - Enterprise Funds						Governmental Activities Internal Service 633 Central Stores
	616 & 606 Delinquent Tax Revolving	Building Authority	Medical Care Facility	581 Airport	Nonmajor Enterprise Funds	Total	
Operating revenue							
Charges for services	\$ 499,364	\$ 69,883	\$ 9,781,354	\$ 121,339	\$ 520,287	\$ 10,992,227	\$ 241,697
Rental income	-	1,389,081	-	-	-	1,389,081	-
Vending and other income	-	2,237	234,150	1,706	43,715	281,808	-
Total operating revenue	499,364	1,461,201	10,015,504	123,045	564,002	12,663,116	241,697
Operating expenses							
Personal services costs	-	342,276	4,900,601	62,985	241,442	5,547,304	-
Supplies and other operating expenses	204,316	193,799	4,152,306	50,690	514,440	5,115,551	188,143
Other contractual services	-	102,297	-	-	-	102,297	-
Administrative costs	-	30	-	-	-	30	-
Depreciation expense	-	153,968	428,826	59,220	-	642,014	-
Total operating expenses	204,316	792,370	9,481,733	172,895	755,882	11,407,196	188,143
Operating income (loss)	295,048	668,831	533,771	(49,850)	(191,880)	1,255,920	53,554
Non-operating revenue (expenses)							
Interest income	1,119,034	29,244	100,443	-	172,039	1,420,760	-
Interest expense	(381)	(113,981)	(33,215)	(3,067)	-	(150,644)	-
Total non-operating revenue (expenses)	1,118,653	(84,737)	67,228	(3,067)	172,039	1,270,116	-
Income (loss) before contributions and transfers	1,413,701	584,094	600,999	(52,917)	(19,841)	2,526,036	53,554
Contributions from others	-	-	-	877,134	-	877,134	-
Transfers from other funds	216,921	-	-	55,584	-	272,505	-
Transfers to other funds	(368,582)	(127,202)	-	-	(4,064)	(499,848)	-
Change in net assets	1,262,040	456,892	600,999	879,801	(23,905)	3,175,827	53,554
Net assets, beginning of year	13,980,220	3,142,931	7,222,335	8,918,613	1,904,968	35,169,067	354,748
Net assets, end of year	\$ 15,242,260	\$ 3,599,823	\$ 7,823,334	\$ 9,798,414	\$ 1,881,063	\$ 38,344,894	\$ 408,302

The accompanying notes are an integral part of these financial statements.

LENAWEE COUNTY, MICHIGAN
Combining Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2006

	Business-type Activities - Enterprise Funds						Governmental Activities
	616 & 606 Delinquent Tax Revolving	Building Authority	Medical Care Facility	581 Airport	Nonmajor Enterprise Funds	Total	Internal Service 633 Central Stores
Cash flows from operating activities							
Cash received from customers, residents and users	\$ 49,844	\$ 1,370,011	\$ 8,249,743	\$ 120,265	\$ 507,826	\$ 10,297,689	\$ -
Cash received from reimbursement program	-	-	1,538,957	-	-	1,538,957	-
Other operating receipts	-	2,237	8,584	1,706	43,715	56,242	-
Cash paid to employees and suppliers	(204,316)	(689,844)	(9,013,724)	(148,291)	(547,977)	(10,604,152)	(174,556)
Receipts for interfund services provided	-	-	-	-	-	-	241,697
Net cash provided by (used in) operating activities	(154,472)	682,404	783,560	(26,320)	3,564	1,288,736	67,141
Cash flows from capital and related financing activities							
Principal payments on capital debt	-	(640,000)	(125,000)	-	-	(765,000)	-
Interest payments on capital debt	(381)	(81,514)	(33,215)	(3,067)	-	(118,177)	-
Proceeds from long-term debt	-	-	2,595,000	-	-	2,595,000	-
Capital contributions	-	-	-	877,134	-	877,134	-
Purchase of capital assets	-	-	(1,569,228)	(876,643)	-	(2,445,871)	-
Issuance of deferred financing costs	-	-	(48,199)	-	-	(48,199)	-
Net cash provided by (used in) capital and related financing activities	(381)	(721,514)	819,358	(2,576)	-	94,887	-
Cash flows from non-capital financing activities							
Payments received on loans receivable	-	-	-	-	6,679	6,679	-
Transfers from other funds	216,921	-	-	55,584	-	272,505	-
Transfers to other funds	(368,582)	(127,202)	-	-	(4,064)	(499,848)	-
Patient trust (withdrawals)	-	-	(1,410)	-	-	(1,410)	-
Net cash provided by (used in) non-capital financing activities	(151,661)	(127,202)	(1,410)	55,584	2,615	(222,074)	-
Cash flows from investing activities							
Interest income received	1,119,034	29,244	100,443	-	172,039	1,420,760	-
Net increase (decrease) in cash and cash equivalents	812,520	(137,068)	1,701,951	26,688	178,218	2,582,309	67,141
Cash and cash equivalents, beginning of year	10,903,857	962,348	3,274,138	736	502,133	15,643,212	319,221
Cash and cash equivalents, end of year	\$ 11,716,377	\$ 825,280	\$ 4,976,089	\$ 27,424	\$ 680,351	\$ 18,225,521	\$ 386,362

Continued...

LENAWEE COUNTY, MICHIGAN
Combining Statement of Cash Flows (Concluded)
Proprietary Funds
For the Year Ended December 31, 2006

	Business-type Activities - Enterprise Funds						Governmental Activities
	616 & 606 Delinquent Tax Revolving	Building Authority	Medical Care Facility	581 Airport	Nonmajor Enterprise Funds	Total	Internal Service 633 Central Stores
Statement of Net Assets Classification of Cash							
Current assets - Cash and cash equivalents	\$ 11,716,377	\$ 825,280	\$ 1,463,263	\$ 27,424	\$ 680,351	\$ 14,712,695	\$ 386,362
Restricted assets - Cash and cash equivalents	-	-	3,512,826	-	-	3,512,826	-
Total	\$ 11,716,377	\$ 825,280	\$ 4,976,089	\$ 27,424	\$ 680,351	\$ 18,225,521	\$ 386,362
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities							
Operating income (loss)	\$ 295,048	\$ 668,831	\$ 533,771	\$ (49,850)	\$ (191,880)	\$ 1,255,920	53,554
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	-	153,968	428,826	59,220	-	642,014	-
Deferred financing amortization	-	-	5,188	-	-	5,188	-
(Increase) decrease in:							
Accounts receivable	(29,511)	-	(218,220)	(1,074)	(12,461)	(261,266)	-
Taxes receivable	(245,887)	-	-	-	-	(245,887)	-
Interfund receivable	(474)	-	-	-	-	(474)	-
Due from other funds	(173,648)	-	-	-	-	(173,648)	-
Inventory	-	-	-	-	-	-	(3,167)
Prepaid expenses	-	-	(80,742)	-	-	(80,742)	-
Increase (decrease) in:							
Allowance for uncollectible loans	-	-	-	-	203,294	203,294	-
Accounts payable	-	(2,066)	129,970	923	3,979	132,806	16,754
Accrued wages and benefits	-	624	25,017	(161)	158	25,638	-
Accrued expenses and deposits	-	-	(40,250)	-	-	(40,250)	-
Unearned revenue	-	(88,953)	-	-	-	(88,953)	-
Interfund payable	-	-	-	-	474	474	-
Due to other funds	-	(50,000)	-	(35,378)	-	(85,378)	-
Net cash provided by (used in) operating activities	\$ (154,472)	\$ 682,404	\$ 783,560	\$ (26,320)	\$ 3,564	\$ 1,288,736	\$ 67,141

Noncash Capital and Related Financing Transaction

In the Medical Care Facility Fund, there was a noncash transaction for the construction payable in the amount of \$313,038.

The accompanying notes are an integral part of these financial statements.

LENAWEE COUNTY, MICHIGAN
Statement of Fiduciary Net Assets
Agency Funds
December 31, 2006

Assets

Cash and cash equivalents	\$ 7,898,729
Accounts receivable	<u>75,372</u>
Total assets	<u><u>\$ 7,974,101</u></u>

Liabilities

Undistributed fees, taxes and other collections	<u><u>\$ 7,974,101</u></u>
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The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

INDEX

	<u>PAGE</u>
I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	
A. Reporting Entity	30
B. Government-wide and Fund Financial Statements.....	31
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	31-33
D. Assets, Liabilities and Net Assets or Equity.....	34-35
II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY	
A. Budgetary Information	36
B. Excess of Expenditures Over Appropriations	36
III. DETAILED NOTES ON ALL FUNDS	
A. Deposits and Investments	37-38
B. Receivables/Deferred Revenues.....	39
C. Capital Assets	40-41
D. Payables.....	42
E. Interfund Receivables, Payables and Transfers.....	42-43
F. Long-term Debt	44-45
IV. OTHER INFORMATION	
A. Risk Management.....	46
B. Contingent Liabilities	46
C. Property Taxes.....	46-47
D. Pension Plan	47-49
E. Leases	50
F. Restatements.....	50

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic primary government financial statements of Lenawee County, Michigan (the “County” or “government”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County’s accounting policies are described below.

A. Reporting Entity

The accompanying financial statements are for the primary government of Lenawee County, and do not include the financial data of the component units of the County. The component units discussed below are considered to be part of the County’s reporting entity because of the significance of their operational or financial relationship with the County.

The financial statements of the Lenawee County Building Authority, which is a blended component unit, have been consolidated with the County’s capital projects, debt service and enterprise funds. The Building Authority is reported as if it were part of the primary government because its sole purpose is to finance, construct and operate certain County public buildings.

The following are the component units of the County which have been excluded from the accompanying financial statements. If these component units had been included, they would have been presented as discrete component units:

Lenawee Transportation Corporation - The County appoints all members of the governing board of the Lenawee Transportation Corporation and the County has the ability to significantly influence their operations. The County also approves the budget and grants of the Lenawee Transportation Corporation. A complete financial statement can be obtained from the Lenawee Transportation Corporation, c/o City of Adrian, City Hall, Adrian, Michigan 49221.

Lenawee County Road Commission – Members of the governing board of the Road Commission are elected, and set policy for all Road Commission activities. The Road Commission deposits receipts with the County and has investments through the County. A complete financial statement can be obtained from the Lenawee County Road Commission, 2461 Treat Highway, Adrian, Michigan 49221.

Lenawee County Drain Commission – The Drain Commissioner is an elected position with statutory authority to perform duties related to the construction and maintenance of drainage, water and sewer systems within Lenawee County. The County has the ability to significantly influence their operations. The County also approves the budget of the Lenawee County Drain Commission. A complete financial statement can be obtained from the Lenawee County Drain Commission, 320 Springbrook Avenue, Adrian, Michigan 49221.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Agency funds, however, do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or within one year for reimbursement based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

Property taxes, state revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *revenue sharing reserve fund* accounts for accelerated property tax collections held for the replacement of future state shared revenues.

The government reports the following major proprietary funds:

The *delinquent tax revolving fund* accounts for the County's annual purchase of delinquent real property taxes from each of the local taxing units within the County and the ultimate collection from the property owners of the delinquent taxes with penalty and interest.

The *building authority fund* accounts for the construction, operation, maintenance, and financing of the human services building.

The *medical care facility fund* accounts for the long-term care of elderly residents of Lenawee County in a medical care unit owned and operated by Lenawee County.

The *airport fund* accounts for all County airport operations.

Additionally, the government reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects. The County health fund and the department on aging fund (nonmajor special revenue funds) are accounted for on a September 30 fiscal year end, which coincides with their primary funding sources.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental activities.

The *capital projects funds* are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

The *enterprise funds* account for those operations that are financed and operated in a manner similar to private business or where the County has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The *internal service fund* accounts for operations that provide services to other departments or agencies of the County, on a cost-reimbursement basis. The Central Stores Fund, as the only internal service fund, provides supplies and printing services to various County departments.

The *agency funds* account for assets held for other governments in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the delinquent tax fund and of the government's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less.

Investments are stated at fair value.

State statutes authorize the County to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

3. Inventories and Prepaid Items

Inventories in the internal service fund are stated at the lower of cost or market. Cost is determined by the first-in, first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

Capital assets of the primary government are depreciated using the straight line method over the useful life of the assets as follows:

Buildings and improvements	50 - 55 years
Equipment (computer, office and vehicles)	3 - 10 years

5. Compensated Absences

Under existing general County rules and regulations, all regular full-time employees are eligible for paid leave in varying amounts based on length of service, which may be used for vacation, sickness, personal days, or for other reasons subject to certain rules. All employees must take at least ten (10) working days per year of paid leave. Unused paid leave time is paid upon employee termination, but does not accumulate beyond maximums determined by length of service. This leave time is accrued when incurred in the government-wide and proprietary fund financial statements.

Accrued vacation, sick leave and other compensated absences are recorded as a governmental fund liability only if they have matured, for example, as a result of employee resignations and retirements.

6. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The County's procedures for establishing the budgetary data reflected in the financial statements is as follows:

- The County Administrator submits a proposed operating budget to the Board of Commissioners before October 15. The operating budget includes proposed expenditures and the means of financing them. Public hearings are held to obtain taxpayer comments. The budget is legally adopted no later than December 31 through a Board of Commissioners resolution prior to the beginning of the budgetary year for the general and special revenue funds. State statutes do not require legally adopted budgets for debt service or capital projects funds.
- The budget is approved by the Board of Commissioners at the functional level for the General Fund and on a total revenue/expenditure basis for the Special Revenue Funds. Budgetary control is exercised at these levels.
- The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted or as amended by the Board of Commissioners or the County Administrator during the year. Appropriations unused at December 31 are not carried forward to the following year.

The County did not adopt a budget for the Agricultural Revolving Nonmajor Special Revenue Fund.

B. Excess of Expenditures Over Appropriations

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. Expenditures of the legislative and public works functions of the General Fund exceeded the approved budget by \$1,194 and \$10,888, respectively. In addition, expenditures of the Lenawee Transportation, Survey & Remonumentation, Drain, Community Corrections, Department of Human Services, Child Care – Maurice Spears Campus, Department on Aging, DHS Child Care, and Veterans Trust Nonmajor Special Revenue Funds exceed the approved budget by \$26,529, \$28,171, \$1,864, \$46,425, \$132,557, \$145,022, \$63,640, \$51,753, and \$1,578, respectively.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Following is a reconciliation of deposit and investment balances (including both pooled cash and investments) as December 31, 2006:

Cash and Cash Equivalents:	
Statement of net assets	\$ 39,603,918
Statement of net assets – fiduciary funds	<u>7,898,729</u>
Total	<u>\$ 47,502,647</u>
 Deposits and Investments:	
Bank deposits	\$ 42,288,929
Investments	5,210,318
Cash on hand	<u>3,400</u>
Total	<u>\$ 47,502,647</u>

The County chooses to disclose its investments by specifically identifying each. As of year end, the County had the following investments.

	Carrying Amount (Fair Value)	<u>Credit Rating</u>	<u>Maturity</u>
Investment:			
Comerica Governmental Cash Investment Fund	\$ 1,921,592	-n/a-	-n/a-
MBIA Local Government Investment Pool	2,788,726	-n/a	-n/a-
Federal Home Loan Bank (callable 3/19/2007)	300,000	S&P – AAA	2010
Federal Home Loan Bank (callable 5/2/2007)	<u>200,000</u>	S&P – AAA	2011
	<u>\$ 5,210,318</u>		

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The County assumes that its callable investments will not be called. The County's investment policy does not address interest rate risk. All investments held at year end are reported above.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings on the County's investments are reported above.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. At year end, the carrying amount of the County's deposits was \$42,288,929 and the carrying amount of the deposits held for the Drain Commission Component Unit was \$2,169,151. As of year end, \$43,942,033 of the combined bank balance of \$44,984,341 was exposed to custodial credit risk because it was uninsured and uncollateralized. Since the bank deposits of the primary government and Drain Commission Component Unit are pooled, separate risk categorizations or identification of FDIC coverage is not possible.

County policy limits the Treasurer's investing options to financial institutions located in Lenawee County, except when an investment is warranted to be invested in another Michigan County financial institution. The County believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution with which it deposits County funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. All accounts are in the name of the County and a specific fund or common account. They are recorded in County records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the County does not have a policy for investment custodial credit risk. As of December 31, 2006, none of the County's investments, excluding the investment pools which are not subject to custodial credit risk, were exposed to risk since the securities are held in the County's name by the counterparty.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

B. Receivables/Deferred Revenue

Receivables in the government activities are expected to be collected within one year and are composed of the following:

Taxes	\$ 6,215,412
Accounts	851,873
Other governments	<u>1,685,568</u>
	<u>\$ 8,752,853</u>

Receivables in the business-type activities are composed of the following:

	<u>Total</u>	<u>Amount Expected to be Collected in More Than One Year</u>
Accounts	\$ 505,264	\$ -
Patient	733,428	-
Business loans, net	1,194,527	1,194,527
Taxes	2,341,747	400,000
Other	<u>300,000</u>	<u>300,000</u>
	<u>\$ 5,074,966</u>	<u>\$2,091,142</u>

The business loans receivable is comprised of several loans outstanding from local business. These loans are secured by property and/or personal guarantees. An allowance of \$203,294 has been established as an estimate of uncollectible loans.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable	\$ 749,539	\$ 1,036,487
Long-term receivable not collectible within 60 days	543,166	-
Grant drawdowns prior to meeting all eligibility requirements and fees received in advance of being earned	-	196,937
	<u>\$ 1,292,705</u>	<u>\$ 1,233,424</u>

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

C. Capital Assets

Capital asset activity for the year ended December 31, 2006 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,308,910	\$ -	\$ -	\$ 2,308,910
Construction in progress	157,391	816,584	157,391	816,584
Total capital assets, not being depreciated	2,466,301	816,584	157,391	3,125,494
Capital assets, being depreciated:				
Buildings and improvements	21,092,396	556,114	-	21,648,510
Equipment and furniture	2,244,872	428,490	63,611	2,609,751
Vehicles	1,178,588	356,302	235,828	1,299,062
Total capital assets, being depreciated	24,515,856	1,340,906	299,439	25,557,323
Less accumulated depreciation for:				
Buildings and improvements	5,040,498	431,057	-	5,471,555
Equipment and furniture	1,172,283	278,301	54,176	1,396,408
Vehicles	779,890	201,114	207,850	773,154
Total accumulated depreciation	6,992,671	910,472	262,026	7,641,117
Total capital assets, being depreciated, net	17,523,185	430,434	37,413	17,916,206
Governmental activities capital assets, net	\$ 19,989,486	\$ 1,247,018	\$ 194,804	\$ 21,041,700

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Land	\$ 4,690,030	\$ 114,297	\$ -	\$ 4,804,327
Avigation easments	127,823	-	-	127,823
Construction in progress	3,450,222	2,593,498	-	6,043,720
Total capital assets, not being depreciated	8,268,075	2,707,795	-	10,975,870
Capital assets, being depreciated:				
Land improvements	1,499,888	-	-	1,499,888
Buildings and improvements	15,336,373	-	-	15,336,373
Equipment and furniture	2,513,199	51,114	-	2,564,313
Vehicles	42,392	-	-	42,392
Total capital assets, being depreciated	19,391,852	51,114	-	19,442,966
Less accumulated depreciation for:				
Land improvements	1,029,553	317,009	-	1,346,562
Buildings and improvements	5,382,152	230,358	-	5,612,510
Equipment and furniture	1,505,958	86,906	-	1,592,864
Vehicles	34,651	7,741	-	42,392
Total accumulated depreciation	7,952,314	642,014	-	8,594,328
Total capital assets, being depreciated, net	11,439,538	(590,900)	-	10,848,638
Business-type activities capital assets, net	\$ 19,707,613	\$ 2,116,895	\$ -	\$ 21,824,508

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General government	\$ 141,279
Judicial	106,585
Public safety	577,092
Health and welfare	60,263
Community enrichment	25,253

Total depreciation expense - governmental activities \$ 910,472

Business-type activities:

Building Authority	\$ 153,968
Medical Care Facility	428,826
Airport	59,220

Total depreciation expense - business-type activities \$ 642,014

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

D. Payables

Accounts payable and accrued expenses in the governmental activities are as follows:

Trade accounts and contracts payable	\$	1,078,324
Accrued wages and benefits		577,681
Accrued interest payable		27,547
Other liabilities		132,477
Deposits and trust monies held		<u>43,000</u>
	\$	<u>1,859,029</u>

Accounts payable and accrued expenses in the business-type activities are as follows:

Trade accounts payable	\$	795,603
Accrued wages and benefits		417,599
Accrued interest payable		9,486
Accrued expenses and deposits		<u>59,788</u>
	\$	<u>1,282,476</u>

E. Interfund Receivables, Payables and Transfers

Due to/from other funds	Receivable	Payable
General Fund	\$ 90,000	\$ 4,577,623
Revenue Sharing Reserve	4,317,597	-
Nonmajor governmental funds	7,400	6,400
Delinquent Tax Revolving	494,109	-
Building Authority	-	200,000
Airport	-	<u>125,083</u>
Total	<u>\$ 4,909,106</u>	<u>\$ 4,909,106</u>

Advances to component units:	Receivable
General Fund	\$ 225,000
Delinquent Tax Revolving	<u>300,000</u>
Total	<u>\$ 525,000</u>

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

Certain nonmajor governmental and nonmajor enterprise funds with negative balances in the County's pooled cash accounts report an interfund payable, which is equal to the interfund receivables of \$134,564 and \$52,246 reported in the General Fund and Delinquent Tax Revolving Enterprise Fund, respectively.

The County has interfund balances between many of its funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds and proprietary funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The component units are excluded from the accompanying financial statements.

Interfund transfers	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 2,238,842	\$ 3,777,017
Revenue Sharing Reserve	-	1,795,474
Delinquent Tax Revolving	216,921	368,582
Building Authority	-	127,202
Airport	55,584	-
Nonmajor governmental funds	3,762,343	201,351
Nonmajor enterprise funds	-	4,064
Total	<u>\$ 6,273,690</u>	<u>\$ 6,273,690</u>

Transfers are used to: (1) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations or (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

F. Long-term Debt

The County issues limited tax general obligation bonds through the Building Authority to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental and business-type activities.

County long-term debt activity for the year ended December 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
G.O. Bonds of \$6,030,000 due in varying annual installments of \$325,000 to \$530,000 at interest rates of 2.1% to 3.9%.	\$ 5,380,000	\$ -	\$ 325,000	\$ 5,055,000	\$ 350,000
Accumulated sick and vacation leave	768,491	1,450,268	1,417,567	801,192	801,192
	<u>\$ 6,148,491</u>	<u>\$ 1,450,268</u>	<u>\$ 1,742,567</u>	<u>\$ 5,856,192</u>	<u>\$1,151,192</u>
Business-type activities:					
G.O. Bonds of \$1,410,000, due in varying installments of \$125,000 to \$165,000 plus interest rates of 2.0% to 3.5%, through 2014.	\$ 1,285,000	\$ -	\$ 125,000	\$ 1,160,000	\$ 130,000
G.O. Bonds of \$2,595,000, due in varying installments of \$65,000 to \$200,000 plus interest rates of 3.5% to 4.0%, through 2026.	-	2,595,000	-	2,595,000	65,000
Refunding G.O. Bonds of \$4,525,000, due in varying installments of \$610,000 to \$680,000 plus interest rates of 2.0% to 3.1%, through 2009.	2,655,000	-	640,000	2,015,000	655,000
	<u>\$ 3,940,000</u>	<u>\$ 2,595,000</u>	<u>\$ 765,000</u>	<u>\$ 5,770,000</u>	<u>\$ 850,000</u>

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

On September 1, 2002, the County issued \$4,525,000 in Limited Tax Full Faith and Credit General Obligation Refunding Bonds with an average rate of 2.6% to advance refund \$4,260,000 of outstanding 1993 Series Limited Tax Full Faith and Credit General Obligation Bonds with an average interest rate of 5.6%. As a result, the \$4,260,000 remaining 1993 Series bonds are considered to be defeased and the liability for these bonds has been removed from the Building Authority Fund. The balance of the defeased bonds outstanding was \$2,015,000 at December 31, 2006. This transaction resulted in a deferred cost on refunded bonds, where the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized over the remaining life of the new debt (through 4/30/09).

The annual requirements to amortize the general obligation bonds as of December 31, 2006, are as follows:

Year Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 350,000	\$ 162,836	\$ 850,000	\$ 196,623
2008	350,000	154,261	895,000	156,141
2009	375,000	144,548	905,000	129,366
2010	375,000	133,580	235,000	111,773
2011	400,000	121,262	725,000	129,243
2012-2016	2,175,000	467,507	555,000	372,389
2017-2021	1,030,000	39,984	705,000	252,770
2022-2026	-	-	900,000	93,996
	\$ 5,055,000	\$ 1,223,978	\$ 5,770,000	\$ 1,442,301

The County of Lenawee is contingently liable for long-term bonds of various municipal sewerage and drainage districts at December 31, 2006, in the amount of \$16,871,988. The primary obligation for the bond principal and interest payments lies with the local unit. However, the County (as an agent) is obligated to pay the debt if there are not sufficient funds on hand from the fixed debt retirement payments of the municipality.

For the governmental activities, compensated absences are generally liquidated by the general fund.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

IV. OTHER INFORMATION

A. Risk Management

During the normal course of its operations, the County is exposed to various risks of loss related to liability, health, employee injury and other circumstances. The County has retained coverages through commercial insurance carriers. There were no significant reductions in insurance coverage from the prior year, and no insurance settlements have exceeded coverage in the past three years.

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the County.

C. Property Taxes

Through 2004, the County property taxes have been levied on December 1 of each year (the lien date) and were due in full by March 1 of the year following the levy, at which time uncollected taxes became delinquent. Pursuant to Public Act 357 of 2004, which provides a funding mechanism to replace state revenue sharing payments to counties, the County's general operating levy date is gradually shifting (or accelerating) from December 1 to July 1 of each year. As such, for the year ended December 31, 2006, the County recognized one-third of the December 1, 2005 levy and two-thirds of the July 1, 2006 levy. In 2007, and for each year thereafter, all of the County general operating property tax will be levied July 1.

Property taxes are levied on the assessed taxable value of the property as established by local units, accepted by the County and equalized under State statute at approximately 50% of the current estimated market value. In March 1994, Michigan voters approved Proposal A, which limits annual increases in assessed values to the lesser of 5% or the rate of inflation with assessed value reverting to 50% of true cash value when the property is sold.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

The assessed and taxable value of real and personal property for the December 1, 2005 levy, for which revenue was recognized in fiscal 2006, was \$2.9 billion. The general operating tax rate for this levy was at the maximum rate of 4.9881 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution. The County also had a voter approved tax of 0.4867 mills for the Department on Aging and 0.1915 mills for the Medical Care Facility.

The assessed and taxable value of real and personal property for the July 1, 2006 levy, for which revenue was recognized in fiscal 2006, was \$3.1 billion. The general operating tax rate for this levy was at the maximum rate of 4.9881 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution.

By agreement with various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1 and records a corresponding delinquent taxes receivable.

D. Pension Plan

Defined Benefit

General

The County contributes to the Lenawee County Board of Commissioners Employees' Retirement Income Plan ("Plan"), a single-employer defined benefit plan provided through a private insurance company that acts as an investment and administrative agent for the County. The Plan is not shown as a pension trust fund within the County's financial statements as the Plan is completely administered by an outside party. Employer and employee contributions and benefit provisions are authorized and may be amended by County Board resolution and benefits may vary pursuant to collective bargaining agreements.

The County provides this Plan for all employees who regularly work at least 1,000 hours in a calendar year. The Plan is a defined benefit plan which pays upon retirement a benefit range (depending on Group) calculated at 1.0 to 2.5% of average monthly earnings times years of service, times final average compensation. For most employee groups, full retirement benefits are available when an employee reaches the "rule of 85" (age plus years of service) or age 62 with eight (8) years continuous service. Reduced retirement benefits are also available as early as age 55 with ten (10) years continuous service. Retirement plan benefits may vary pursuant to employee group provisions and/or collective bargaining agreements.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

Membership in the Plan consisted of the following at January 1, 2006, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	216
Terminated plan members entitled to, but not yet receiving benefits	106
Active plan members	<u>561</u>
Total	<u>883</u>

Employee Contributions

Eligible employees are required to contribute 0% to 5% of their annual compensation to the Plan. Total contributions amounted to \$679,419 for the year ended December 31, 2006.

Employer Contributions

The County also makes contributions to the Plan, at annual actuarially determined amounts, to provide assets sufficient to meet the benefits to be paid to plan members. Such aggregate contributions amounted to \$2,056,702 for the year ended December 31, 2006.

Summary of Significant Accounting Policies

Method Used to Value Investments

The Plan's investments are recorded at fair value and include accounts administered by a Life Insurance Company maintained under group annuity contracts.

Annual Pension Cost and Net Pension Obligation (Asset)

The County's annual pension cost and net pension obligation (asset) for the current year were as follows:

Annual required contribution	\$ 1,783,375
Interest on net pension asset	(83,250)
Adjustment to annual required contribution	<u>(98,172)</u>
Annual pension cost	1,601,953
Adjustments for prior years	(421,785)
Contribution made	<u>(2,056,702)</u>
Increase in net pension obligation (asset)	(876,534)
Net pension obligation (asset), beginning of year	<u>(1,040,625)</u>
Net pension obligation (asset), end of year	<u>\$ (1,495,375)</u>

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

The annual required contribution for the current year was determined as part of a January 1, 2006 actuarial valuation using the entry age normal contribution method. The actuarial assumptions included 8% investment rate of return on the investment, compounded annually, and projected salary increases of 4% per year compounded annually, including inflation at 2% per year. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a two-year period. The unfunded, actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis with 20 years remaining, as of January 1, 2006.

Three-Year Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
12/31/04	\$1,852,661	102%	\$ (526,969)
12/31/05	1,713,836	130	(1,040,625)
12/31/06	1,601,953	128	(1,495,375)

Defined Contribution Plan

Effective April 1, 2001, the County began to provide and administer pension benefits for certain new full-time employees through a defined contribution plan, called the Lenawee County Board of Commissioners Defined Contribution Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate on the date of employment. The plan requires the County to contribute, on behalf of each covered employee, 7.5% of the employees' compensation. Plan provisions and contribution requirements are established and may be amended by the Board of County Commissioners.

Participants are required to contribute 7.5% of compensation to this plan.

The County made the required contribution to the plan, amounting to \$208,228 and employee contributions also were \$208,228 for the year ended December 31, 2006.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

E. Leases

The Building Authority Enterprise Fund leases space in the Human Services Building to various departments of the County and other governmental agencies. The cost and carrying amount of leased assets at year end was as follows:

Land	\$ 75,000
Buildings and improvements	7,603,554
Less accumulated depreciation	<u>(2,502,532)</u>
	<u>\$ 5,176,022</u>

Minimum future lease payments with other governmental agencies under non cancelable leases were as follows:

<u>Year Ending December 31,</u>	
2007	\$ 902,951
2008	902,951
2009	828,941
2010	496,497
2011	225,333
2012-2015	<u>302,629</u>
	<u>\$ 3,659,302</u>

E. Restatements

Beginning net assets of governmental activities were increased by \$338,105 to properly recognize property tax revenue inadvertently included in unearned revenue in the prior year.

* * * * *

Required Supplementary Information

LENAWEE COUNTY, MICHIGAN

GASB STATEMENT 25 REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) /c)
1/01/00	\$ 31,286,863	\$ 38,090,065	\$ 6,803,202	82.1 %	\$ 16,501,605	41.2 %
1/01/01	33,671,164	42,055,911	8,384,747	80.1	17,310,962	48.4
1/01/02	31,310,910	42,970,744	11,659,834	72.9	15,416,295	75.6
1/01/03	30,430,043	44,875,929	14,445,886	67.8	16,367,621	88.3
1/01/04	33,854,728	50,224,035	16,369,307	67.4	16,600,507	98.6
1/01/05	37,771,373	52,684,997	14,913,624	71.7	16,339,433	91.3
1/01/06	41,790,792	56,617,255	14,826,463	73.8	16,593,939	89.3

LENAWEE COUNTY, MICHIGAN

GASB STATEMENT 25 REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1998	\$ 783,894	100 %
1999	1,021,428	100
2000	1,230,360	100
2001	1,329,417	100
2002	1,465,050	129
2003	1,669,712	100
2004	1,939,034	97
2005	1,805,708	123
2006	1,783,375	115

LENAWEE COUNTY, MICHIGAN

GASB STATEMENT 25 REQUIRED SUPPLEMENTARY INFORMATION

ADDITIONAL INFORMATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date:	January 1, 2006
Actuarial cost method	Entry Age Normal
Amortization method	Open amortization period
Remaining amortization period	20 years
Asset valuation method	Insurance company assigned value
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases *	4.00%
* includes inflation at	2.00%
Cost of living adjustments	n/a

Combining and Individual Fund Statements and Schedules

LENAWEE COUNTY, MICHIGAN
General Fund
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Amended Budget and Actual
For the Year Ended December 31, 2006
(With Comparative Actual Amounts for the Year Ended December 31, 2005)

	2006				
	Budgeted Amounts		Actual	Actual Over (Under) Final Budget	2005 Actual
	Original	Final			
Revenue					
Taxes:					
Current real property taxes	\$ 13,821,484	\$ 13,821,484	\$ 15,036,953	\$ 1,215,469	\$ 13,979,556
Trailer tax	9,285	9,285	12,366	3,081	12,705
	<u>13,830,769</u>	<u>13,830,769</u>	<u>15,049,319</u>	<u>1,218,550</u>	<u>13,992,261</u>
Licenses and Permits:					
Dog licenses	120,000	120,000	128,800	8,800	180,315
Clerk	52,575	52,575	48,547	(4,028)	49,910
	<u>172,575</u>	<u>172,575</u>	<u>177,347</u>	<u>4,772</u>	<u>230,225</u>
Fines and Forfeits:					
Local ordinances	530,000	530,000	509,894	(20,106)	553,843
Clerk & District Court	600	600	387	(213)	630
	<u>530,600</u>	<u>530,600</u>	<u>510,281</u>	<u>(20,319)</u>	<u>554,473</u>
Use of Money and Property:					
Interest on investments	235,000	235,000	1,014,112	779,112	597,245
Rent	19,145	19,145	19,145	-	19,145
	<u>254,145</u>	<u>254,145</u>	<u>1,033,257</u>	<u>779,112</u>	<u>616,390</u>
State and Federal Grants:					
Probate Judge salary	140,000	140,000	147,975	7,975	84,367
Probate Court - Other	146,500	196,500	178,347	(18,153)	175,315
Probate Juvenile Officer salary	53,000	53,000	52,776	(224)	52,776
Probate Court Juvenile - Other	10,000	10,000	15,165	5,165	19,440
District Court	372,048	372,048	391,055	19,007	396,412
Friend of the Court:					
Title IV-D CRP - Federal	800,000	800,000	845,523	45,523	804,904
State supplement	-	-	9,228	9,228	-
Medical support - Federal	-	-	-	-	3,864
Incentive payments - Federal	175,000	175,000	179,562	4,562	210,117
Other	162,000	162,000	164,123	2,123	179,157

LENAWEE COUNTY, MICHIGAN
General Fund
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Amended Budget and Actual (Continued)
For the Year Ended December 31, 2006
(With Comparative Actual Amounts for the Year Ended December 31, 2005)

	2006					2005 Actual
	Budgeted Amounts		Actual	Actual Over (Under) Final Budget		
	Original	Final				
Revenue (continued)						
State and Federal Grants: (Concluded)						
Circuit Court Fund	\$ 90,000	\$ 90,000	\$ 122,657	\$ 32,657	\$ 120,026	
Prosecuting Attorney:						
Title IV-D CRP - Federal	125,143	125,143	108,540	(16,603)	106,072	
State supplement	-	-	2,876	2,876	-	
Victims' rights	44,500	44,500	42,322	(2,178)	37,530	
Other	102,527	105,152	48,969	(56,183)	95,146	
Judicial salary standard pay	91,448	91,448	91,448	-	91,448	
Operation Nightcap	-	35,902	42,686	6,784	18,972	
Convention facilities liquor	257,651	260,884	270,975	10,091	254,198	
Cigarette tax	58,095	58,338	58,438	100	61,852	
Court costs for children	500	500	-	(500)	965	
Administration costs	-	-	4,562	4,562	4,808	
Emergency management-Federal	541,373	541,373	96,222	(445,151)	663,246	
Seat belt enforcement	-	8,411	9,416	1,005	35,686	
Buffer zone protection program	-	37,282	37,282	-	12,646	
Omni Grants	20,000	20,000	22,710	2,710	24,079	
Board & Care of Prisoners	1,750	2,900	3,819	919	2,389	
Other state grants	-	-	1,500	1,500	-	
	3,191,535	3,330,381	2,948,176	(382,205)	3,455,415	
Charges for Services:						
Circuit Court	-	-	2,942	2,942	-	
District Court	1,845,200	1,845,200	1,824,975	(20,225)	1,906,929	
Civil fees	10,000	10,000	5,246	(4,754)	6,292	
Friend of the Court - service charges	75,000	75,000	90,379	15,379	83,988	
Probate Court	43,600	43,600	53,775	10,175	48,406	
Treasurer	7,500	7,500	11,991	4,491	11,971	
County Clerk	260,850	260,850	291,431	30,581	280,223	
Register of Deeds	851,040	851,040	940,331	89,291	1,012,664	
Computer services	-	-	-	-	50	
Sheriff - serving papers	10,000	5,000	5,025	25	4,205	
Sheriff other	6,106	11,106	12,811	1,705	7,807	
Medical Examiner	1,250	1,250	2,515	1,265	3,372	
	3,110,546	3,110,546	3,241,421	130,875	3,365,907	

LENAWEE COUNTY, MICHIGAN
General Fund
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Amended Budget and Actual (Continued)
For the Year Ended December 31, 2006
(With Comparative Actual Amounts for the Year Ended December 31, 2005)

	2006					
	Budgeted Amounts			Actual Over (Under)	2005	
	Original	Final	Actual	Final Budget	Actual	
Revenue (concluded)						
Other:						
County Clerk refunds and rebates	\$ 1,500	\$ 1,500	\$ 2,026	\$ 526	\$ 2,349	
Other refunds and rebates	9,700	9,700	54,321	44,621	131,348	
Tax billings - municipalities	60,000	60,000	56,940	(3,060)	59,634	
Telephone, postage and other general refunds	123,650	178,131	271,751	93,620	235,484	
	194,850	249,331	385,038	135,707	428,815	
 Total revenue	 21,285,020	 21,478,347	 23,344,839	 1,866,492	 22,643,486	
 Other financing sources						
Sale of capital assets	-	28,356	28,356	-	21,615	
Transfers in from other funds	1,895,051	2,161,108	2,238,842	77,734	1,878,293	
 Total other financing sources	 1,895,051	 2,189,464	 2,267,198	 77,734	 1,899,908	
 Total revenue and other sources	 23,180,071	 23,667,811	 25,612,037	 1,944,226	 24,543,394	

LENAWEE COUNTY, MICHIGAN
General Fund
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Amended Budget and Actual (Continued)
For the Year Ended December 31, 2006
(With Comparative Actual Amounts for the Year Ended December 31, 2005)

	2006					
	Budgeted Amounts			Actual Over (Under)	2005	
	Original	Final	Actual	Final Budget	Actual	
Expenditures						
Legislative						
Board of Commissioners	\$ 242,170	\$ 250,670	\$ 251,864	\$ (1,194)	\$ 248,632	
General Government:						
Planning	32,376	32,376	30,880	1,496	31,849	
Clerk	681,259	681,259	615,119	66,140	626,491	
Elections	88,681	88,681	96,091	(7,410)	53,223	
Treasurer	362,500	362,500	371,900	(9,400)	346,248	
Register of Deeds	427,572	427,572	336,038	91,534	326,977	
Surveyor	2,500	2,500	2,050	450	1,815	
Plat Board	1,235	1,235	147	1,088	582	
Emergency Management	581,767	582,175	115,390	466,785	689,904	
Equalization	488,975	488,975	492,945	(3,970)	472,451	
	2,666,865	2,667,273	2,060,560	606,713	2,549,540	
Judicial						
Circuit Court	764,028	764,028	615,147	148,881	619,750	
Circuit Court Probation	5,350	5,350	5,380	(30)	4,267	
Friend of the Court	1,311,665	1,322,711	1,249,283	73,428	1,176,772	
District Court	1,628,632	1,639,000	1,571,390	67,610	1,550,008	
Probate Court	547,064	548,698	562,056	(13,358)	455,419	
Probate Court Juvenile	674,816	679,108	656,276	22,832	661,844	
Prosecuting Attorney	1,006,992	1,017,798	928,977	88,821	975,773	
Prosecuting Attorney - Cooperative Reimbursement	176,459	176,459	151,755	24,704	155,641	
Jury Board	2,154	2,154	1,644	510	1,682	
	6,117,160	6,155,306	5,741,908	413,398	5,601,156	
Public Safety						
Sheriff Department	4,172,605	4,337,922	4,042,923	294,999	4,028,048	
Sheriff Security - Jail	2,922,229	2,939,692	3,266,953	(327,261)	2,919,519	
Drive Michigan Safely	-	35,902	42,001	(6,099)	11,564	
Court Bailiffs	246,019	165,252	150,959	14,293	247,370	
Dog Warden	-	-	-	-	41,796	
Animal Control	130,240	130,671	93,822	36,849	49,620	
Medical Examiner	170,289	170,289	162,304	7,985	145,436	
	7,641,382	7,779,728	7,758,962	20,766	7,443,353	

LENAWEE COUNTY, MICHIGAN
General Fund
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Amended Budget and Actual (Continued)
For the Year Ended December 31, 2006
(With Comparative Actual Amounts for the Year Ended December 31, 2005)

	2006					2005 Actual
	Budgeted Amounts		Actual	Actual Over (Under) Final Budget		
	Original	Final				
Expenditures (continued)						
Health and Welfare						
Mental Health	\$ 324,682	\$ 324,682	\$ 324,682	\$ -	\$ 324,682	
Substance Abuse	41,004	41,004	41,004	-	41,004	
Veterans Burials	22,000	22,000	24,295	(2,295)	14,850	
Veterans Affairs	100,131	100,131	99,066	1,065	93,586	
MSU Extension	366,176	367,040	331,938	35,102	310,743	
Transportation	44,500	44,500	44,500	-	43,134	
Area Agency on Aging	6,767	6,767	6,767	-	6,767	
	905,260	906,124	872,252	33,872	834,766	
Community Enrichment and Development						
Lenawee Tomorrow Corporation	49,399	49,399	49,399	-	36,516	
General Support Services:						
Administrator	1,230,236	969,179	542,612	426,567	463,978	
Switchboard	86,000	132,849	119,286	13,563	59,148	
Building and Grounds	662,692	698,443	634,658	63,785	572,253	
Building and Grounds - County Farm	2,600	2,600	2,687	(87)	2,588	
Utilities	520,464	520,464	591,988	(71,524)	525,040	
Printing / Purchasing	428,037	428,220	405,537	22,683	376,238	
Data Processing	518,554	777,580	1,239,473	(461,893)	477,790	
Insurance and Miscellaneous Bonds	483,630	483,630	476,528	7,102	467,439	
	3,932,213	4,012,965	4,012,769	196	2,944,474	
Public Works:						
Drain at Large	64,252	64,252	64,252	-	58,910	
Soil Conservation	28,328	28,328	28,328	-	27,503	
Mapping	110,299	110,726	121,614	(10,888)	105,694	
River Raisin Watershed	-	-	-	-	5,000	
	202,879	203,306	214,194	(10,888)	197,107	

LENAWEE COUNTY, MICHIGAN
General Fund
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Amended Budget and Actual (Continued)
For the Year Ended December 31, 2006
(With Comparative Actual Amounts for the Year Ended December 31, 2005)

	2006					
	Budgeted Amounts			Actual Over (Under)	2005	
	Original	Final	Actual	Final Budget	Actual	
Expenditures (concluded)						
Other:						
Cigarette tax distribution	\$ 58,095	\$ 41,251	\$ 41,250	\$ 1	\$ 43,660	
Human Services Rental Contribution	121,208	121,208	121,208	-	129,634	
	179,303	162,459	162,458	1	173,294	
Total expenditures	21,936,631	22,187,230	21,124,366	1,062,864	20,028,838	
Other financing uses - transfers out						
Special Revenue Funds:						
Parks	15,519	15,519	15,519	-	15,519	
Agriculture Committee	27,540	27,540	27,540	-	27,540	
County Health	515,117	515,117	515,117	-	515,117	
Drain Commission	334,611	347,715	347,715	-	322,611	
Marine Law	23,896	23,896	23,896	-	27,406	
Law Library	7,300	7,300	7,300	-	7,303	
County Library	295,000	324,588	324,588	-	289,941	
Child Care - Maurice Spear Campus	1,508,728	1,679,506	1,679,506	-	1,506,672	
Department of Human Services	23,187	23,187	23,187	-	23,187	
Child Care - DHS	332,065	332,065	332,065	-	332,065	
Others	-	5,152	5,152	-	-	
	3,082,963	3,301,585	3,301,585	-	3,067,361	
Capital Project Funds:						
Building and Site	400,000	400,000	400,000	-	350,000	
Jail Building & Inmate	25,000	25,000	25,000	-	20,925	
	425,000	425,000	425,000	-	370,925	

LENAWEE COUNTY, MICHIGAN
General Fund
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Amended Budget and Actual (Concluded)
For the Year Ended December 31, 2006
(With Comparative Actual Amounts for the Year Ended December 31, 2005)

	2006					
	Budgeted Amounts		Actual	Actual	2005 Actual	
	Original	Final		Over (Under) Final Budget		
Other financing uses - transfers out (concluded)						
Enterprise Funds:						
Airport	\$ 49,000	\$ 50,432	\$ 50,432	\$ -	\$ 72,800	
Total other financing uses - transfers out	3,556,963	3,777,017	3,777,017	-	3,511,086	
Total expenditures and other uses	25,493,594	25,964,247	24,901,383	1,062,864	23,539,924	
Revenue and other sources over (under) expenditures and other uses	(2,313,523)	(2,296,436)	710,654	3,007,090	1,003,470	
Fund balance, beginning of year	7,753,775	7,753,775	7,753,775	-	6,750,305	
Fund balance, end of year	\$ 5,440,252	\$ 5,457,339	\$ 8,464,429	\$ 3,007,090	\$ 7,753,775	

LENAWEE COUNTY, MICHIGAN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2006

	Special Revenue	366 Building Authority Debt Service- Jail	Capital Projects	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ 4,615,077	\$ 1,473,742	\$ 949,593	\$ 7,038,412
Deposits and escrow	731,034	-	-	731,034
Taxes receivable	547,983	-	-	547,983
Accounts receivable	646,992	59,760	-	706,752
Due from other governments	1,083,220	5,444	10,457	1,099,121
Due from other funds	-	1,000	6,400	7,400
Prepaid expenditures	593	-	-	593
<u>TOTAL ASSETS</u>	\$ 7,624,899	\$ 1,539,946	\$ 966,450	\$ 10,131,295
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities				
Accounts payable	\$ 395,524	\$ -	\$ 230,684	\$ 626,208
Accrued wages and benefits	273,764	-	-	273,764
Interfund payable	134,564	-	-	134,564
Due to other funds	6,400	-	-	6,400
Deferred revenue	1,140,352	59,759	-	1,200,111
Other liabilities	132,477	-	-	132,477
Deposits and trust monies held	43,000	-	-	43,000
Total liabilities	2,126,081	59,759	230,684	2,416,524
Fund balance				
Reserved for prepaid expenditures	593	-	-	593
Unreserved - designated for future expenditures	827,152	-	355,211	1,182,363
Unreserved - undesignated	4,671,073	1,480,187	380,555	6,531,815
Total fund balance	5,498,818	1,480,187	735,766	7,714,771
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	\$ 7,624,899	\$ 1,539,946	\$ 966,450	\$ 10,131,295

LENAWEE COUNTY, MICHIGAN
Combining Statement of Revenue, Expenditures
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2006

	Special Revenue	366 Building Authority Debt Service- Jail	Capital Projects	Total Nonmajor Governmental Funds
Revenue				
Taxes and special assessments	\$ 1,999,461	\$ -	\$ -	\$ 1,999,461
Licenses, fees and permits	1,758,663	-	-	1,758,663
Use of money and property	8,617	68,833	7,717	85,167
Federal grants	1,855,998	-	10,457	1,866,455
State grants	3,546,465	-	34,171	3,580,636
Other intergovernmental revenue	1,459,826	-	-	1,459,826
Charges for services	900,600	354,786	13,381	1,268,767
Other	1,362,011	-	52,985	1,414,996
Total revenue	12,891,641	423,619	118,711	13,433,971
Expenditures				
Current:				
General government	88,064	-	-	88,064
Judicial	210,114	-	-	210,114
Public safety	2,274,349	-	122,330	2,396,679
Health and welfare	10,446,508	-	-	10,446,508
Community enrichment and development	2,491,895	-	522,355	3,014,250
Debt service:				
Principal	-	325,000	-	325,000
Interest and fiscal charges	-	170,943	-	170,943
Total expenditures	15,510,930	495,943	644,685	16,651,558
Revenue under expenditures	(2,619,289)	(72,324)	(525,974)	(3,217,587)
Other financing sources (uses)				
Transfers in:				
County appropriation	3,262,705	-	425,000	3,687,705
Other	38,238	-	36,400	74,638
Transfers (out)	(118,367)	-	(82,984)	(201,351)
Total other financing sources	3,182,576	-	378,416	3,560,992
Net change in fund balances	563,287	(72,324)	(147,558)	343,405
Fund balance, beginning of year	4,935,531	1,552,511	883,324	7,371,366
Fund balance, end of year	\$ 5,498,818	\$ 1,480,187	\$ 735,766	\$ 7,714,771

LENAWEE COUNTY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2006

	208	211	215	221	223	232	241
	Parks	Agriculture Committee	Friend of Court Duties	County Health	Lenawee Transportation	Solid Waste	Medical Care Facility Millage
<u>ASSETS</u>							
Assets							
Cash and cash equivalents	\$ 22,873	\$ 36,664	\$ 129,171	\$ 977,711	\$ 16,507	\$ 205,525	\$ 889,829
Deposits and escrow	-	-	-	731,034	-	-	-
Taxes receivable	-	-	-	-	-	-	547,983
Accounts receivable	-	-	-	194,567	5,182	-	-
Due from other governments	-	-	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-	-	-
<u>TOTAL ASSETS</u>	\$ 22,873	\$ 36,664	\$ 129,171	\$ 1,903,312	\$ 21,689	\$ 205,525	\$ 1,437,812
<u>LIABILITIES AND FUND BALANCE</u>							
Liabilities							
Accounts payable	\$ 33	\$ 978	\$ -	\$ 66,485	\$ 18,604	\$ 8,958	\$ -
Accrued wages and benefits	-	-	-	68,703	1,223	1,277	-
Interfund payable	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Deferred revenue	-	-	-	182,110	-	-	592,047
Other liabilities	-	-	-	71,865	-	-	-
Deposits and trust monies	-	-	-	-	-	-	-
Total liabilities	33	978	-	389,163	19,827	10,235	592,047
Fund balance							
Reserved for prepaid expenditures	-	-	-	-	-	-	-
Unreserved - designated for future expenditures	3,665	6,507	-	139,191	-	69,837	-
Unreserved - undesignated	19,175	29,179	129,171	1,374,958	1,862	125,453	845,765
Total fund balance	22,840	35,686	129,171	1,514,149	1,862	195,290	845,765
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	\$ 22,873	\$ 36,664	\$ 129,171	\$ 1,903,312	\$ 21,689	\$ 205,525	\$ 1,437,812

243 LEPC	244 Survey & Remonun- tation	250 Drain	256 Register of Deeds Automation	262 Community Corrections	263 Marine Law	264 Central Dispatcher	265 Drug Forfeitures	266 Law Enforcement Act	269 Law Library
\$ 17,388	\$ -	\$ 111,906	\$ 106,391	\$ 42,578	\$ 49,124	\$ -	\$ 86,120	\$ 93,238	\$ 26,639
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	60,826	-	-	25,876	-	473,241	-	-	-
-	-	-	-	-	-	-	-	-	-
\$ 17,388	\$ 60,826	\$ 111,906	\$ 106,391	\$ 68,454	\$ 49,124	\$ 473,241	\$ 86,120	\$ 93,238	\$ 26,639
\$ -	\$ -	\$ 702	\$ 5,115	\$ 27,590	\$ -	\$ 38,918	\$ -	\$ 95	\$ 1,330
-	-	26,413	787	419	-	22,097	-	-	278
-	60,802	-	-	-	-	42,430	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	60,612	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	60,802	87,727	5,902	28,009	-	103,445	-	95	1,608
-	-	-	-	-	-	-	-	-	-
17,200	-	-	11,155	-	36,025	300,000	54,600	3,000	-
188	24	24,179	89,334	40,445	13,099	69,796	31,520	90,143	25,031
17,388	24	24,179	100,489	40,445	49,124	369,796	86,120	93,143	25,031
\$ 17,388	\$ 60,826	\$ 111,906	\$ 106,391	\$ 68,454	\$ 49,124	\$ 473,241	\$ 86,120	\$ 93,238	\$ 26,639

Continued...

LENAWEE COUNTY, MICHIGAN
Combining Balance Sheet (Concluded)
Nonmajor Special Revenue Funds
December 31, 2006

	270	271	273	288	290	292
	Secondary	County	COPS	Housing	Department	Child Care -
	Road	Library	COPS	Housing	of Human	Maurice
	Patrol	Library	Grant	Rehabilitation	Services	Spear
						Campus
<u>ASSETS</u>						
Assets						
Cash and cash equivalents	\$ 26,838	\$ 56,874	\$ 118,023	\$ 42,768	\$ 30,767	\$ 414,943
Deposits and escrow	-	-	-	-	-	-
Taxes receivable	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	447,243
Due from other governments	40,330	-	-	-	27,630	286,193
Prepaid expenditures	-	-	-	-	-	-
<u>TOTAL ASSETS</u>	\$ 67,168	\$ 56,874	\$ 118,023	\$ 42,768	\$ 58,397	\$ 1,148,379
<u>LIABILITIES AND FUND BALANCE</u>						
Liabilities						
Accounts payable	\$ 720	\$ 6,867	\$ -	\$ -	\$ 4,332	\$ 167,918
Accrued wages and benefits	3,444	7,635	-	-	-	58,995
Interfund payable	-	-	-	-	-	-
Due to other funds	-	6,400	-	-	-	-
Deferred revenue	-	-	-	-	-	366,195
Other liabilities	-	-	-	-	-	-
Deposits and trust monies	-	-	-	-	43,000	-
Total liabilities	4,164	20,902	-	-	47,332	593,108
Fund balance						
Reserved for prepaid expenditures	-	-	-	-	-	-
Unreserved - designated for future expenditures	-	35,000	118,000	-	2,130	-
Unreserved - undesignated	63,004	972	23	42,768	8,935	555,271
Total fund balance	63,004	35,972	118,023	42,768	11,065	555,271
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	\$ 67,168	\$ 56,874	\$ 118,023	\$ 42,768	\$ 58,397	\$ 1,148,379

294 Veterans Trust	296 Department on Aging	297 DHS Child Care	299 Special Projects	604 County Disaster	682 Lilley	690 Agricultural Revolving	Total
\$ 146	\$ 994,009	\$ -	\$ 10,288	\$ 100	\$ 53,989	\$ 54,668	\$ 4,615,077
-	-	-	-	-	-	-	731,034
-	-	-	-	-	-	-	547,983
-	-	-	-	-	-	-	646,992
-	91,719	77,405	-	-	-	-	1,083,220
593	-	-	-	-	-	-	593
<hr/>							
\$ 739	\$ 1,085,728	\$ 77,405	\$ 10,288	\$ 100	\$ 53,989	\$ 54,668	\$ 7,624,899
<hr/>							
\$ 593	\$ 38,953	\$ 6,410	\$ -	\$ -	\$ -	\$ 923	\$ 395,524
-	82,493	-	-	-	-	-	273,764
-	-	31,332	-	-	-	-	134,564
-	-	-	-	-	-	-	6,400
-	-	-	-	-	-	-	1,140,352
-	-	-	-	-	-	-	132,477
-	-	-	-	-	-	-	43,000
<hr/>							
593	121,446	37,742	-	-	-	923	2,126,081
<hr/>							
593	-	-	-	-	-	-	593
-	-	22,542	8,300	-	-	-	827,152
(447)	964,282	17,121	1,988	100	53,989	53,745	4,671,073
<hr/>							
146	964,282	39,663	10,288	100	53,989	53,745	5,498,818
<hr/>							
\$ 739	\$ 1,085,728	\$ 77,405	\$ 10,288	\$ 100	\$ 53,989	\$ 54,668	\$ 7,624,899
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LENAWEE COUNTY, MICHIGAN
Combining Statement of Revenue, Expenditures
and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006

	208	211	215	221	223	232	241
	Parks	Agriculture	Friend of	County	Lenawee	Solid	Medical
		Committee	Court	Health	Transportation	Waste	Care
			Duties				Facility
							Millage
Revenue							
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 567,358
Licenses and permits	-	-	-	472,744	-	-	-
Use of money and property	-	-	-	115	-	-	-
Federal grants	-	-	-	963,674	75,077	-	-
State grants	-	-	-	627,236	172,302	-	-
Other intergovernmental revenue	-	-	-	-	-	-	-
Charges for services	-	-	-	428,830	-	167,591	-
Other	3	-	34,360	-	67,906	23,246	-
Total revenue	3	-	34,360	2,492,599	315,285	190,837	567,358
Expenditures							
General government	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Health and welfare	-	-	-	2,962,529	315,410	-	4,850
Community enrichment and development	11,209	20,239	-	-	-	206,425	-
Total expenditures	11,209	20,239	-	2,962,529	315,410	206,425	4,850
Revenue over (under) expenditures	(11,206)	(20,239)	34,360	(469,930)	(125)	(15,588)	562,508
Other financing sources (uses)							
Transfers in:							
County appropriation	15,519	27,540	-	515,117	-	-	-
Other	-	-	-	-	-	-	-
Transfers (out)	(2,000)	-	(30,970)	-	-	-	-
Total other financing sources (uses)	13,519	27,540	(30,970)	515,117	-	-	-
Net change in fund balances	2,313	7,301	3,390	45,187	(125)	(15,588)	562,508
Fund balance, beginning of year	20,527	28,385	125,781	1,468,962	1,987	210,878	283,257
Fund balance, end of year	\$ 22,840	\$ 35,686	\$ 129,171	\$ 1,514,149	\$ 1,862	\$ 195,290	\$ 845,765

243 LEPC	244 Survey & Remonu- mentation	250 Drain	256 Register of Deeds Automation	262 Community Corrections	263 Marine Law	264 Central Dispatcher	265 Drug Forfeitures	266 Law Enforcement Act	269 Law Library
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	1,285,919	-	-	-
90	-	-	3,161	-	-	-	2,509	-	-
-	-	-	-	-	10,000	374,754	-	-	-
-	101,376	-	114,695	188,314	17,924	187,958	-	11,171	-
-	-	975,716	-	-	-	-	-	-	6,500
-	-	71,579	-	17,108	-	-	-	30,630	-
-	-	3,086	43	59	850	5,028	50,978	4	-
90	101,376	1,050,381	117,899	205,481	28,774	1,853,659	53,487	41,805	6,500
-	-	-	88,064	-	-	-	-	-	-
-	-	-	-	198,489	-	-	-	-	11,625
-	-	-	-	-	31,865	2,016,742	8,638	51,935	-
-	-	-	-	-	-	-	-	-	-
-	101,352	1,423,397	-	-	-	-	-	-	-
-	101,352	1,423,397	88,064	198,489	31,865	2,016,742	8,638	51,935	11,625
90	24	(373,016)	29,835	6,992	(3,091)	(163,083)	44,849	(10,130)	(5,125)
-	-	347,715	-	-	23,896	-	-	-	7,300
-	-	-	-	-	-	-	-	4,510	-
-	-	-	-	-	-	(4,510)	(7,031)	-	-
-	-	347,715	-	-	23,896	(4,510)	(7,031)	4,510	7,300
90	24	(25,301)	29,835	6,992	20,805	(167,593)	37,818	(5,620)	2,175
17,298	-	49,480	70,654	33,453	28,319	537,389	48,302	98,763	22,856
\$ 17,388	\$ 24	\$ 24,179	\$ 100,489	\$ 40,445	\$ 49,124	\$ 369,796	\$ 86,120	\$ 93,143	\$ 25,031

Continued...

LENAWEE COUNTY, MICHIGAN
Combining Statement of Revenue, Expenditures
and Changes in Fund Balance (Concluded)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006

	270	271	273	288	290	292
	Secondary	County	COPS	Housing	Department	Child Care -
	Road	Library	Grant	Rehabilitation	of Human	Maurice
	Patrol				Services	Spear
						Campus
Revenue						
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Use of money and property	-	-	-	74	-	-
Federal grants	-	-	-	8,681	-	72,741
State grants	155,385	38,358	-	-	356,662	1,167,939
Other intergovernmental revenue	-	-	-	-	-	477,610
Charges for services	-	-	-	-	-	117,432
Other	2,026	323,227	-	12	-	38,656
Total revenue	157,411	361,585	-	8,767	356,662	1,874,378
Expenditures						
General government	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Public safety	160,137	-	-	-	-	-
Health and welfare	-	-	-	-	381,678	3,411,654
Community enrichment and development	-	681,949	-	8,681	-	-
Total expenditures	160,137	681,949	-	8,681	381,678	3,411,654
Revenue over (under) expenditures	(2,726)	(320,364)	-	86	(25,016)	(1,537,276)
Other financing sources (uses)						
Transfers in:						
County appropriation	-	324,588	-	-	23,187	1,645,778
Other	-	-	-	-	-	33,728
Transfers (out)	-	(6,400)	-	-	-	(67,456)
Total other financing sources (uses)	-	318,188	-	-	23,187	1,612,050
Net change in fund balances	(2,726)	(2,176)	-	86	(1,829)	74,774
Fund balance, beginning of year	65,730	38,148	118,023	42,682	12,894	480,497
Fund balance, end of year	\$ 63,004	\$ 35,972	\$ 118,023	\$ 42,768	\$ 11,065	\$ 555,271

294 Veterans Trust	296 Department On Aging	297 DHS Child Care	299 Special Projects	604 County Disaster	682 Lilley	690 Agricultural Revolving	Total
\$ -	\$ 1,432,103	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,999,461
-	-	-	-	-	-	-	1,758,663
-	-	-	-	-	2,668	-	8,617
-	349,356	-	1,715	-	-	-	1,855,998
7,324	399,821	-	-	-	-	-	3,546,465
-	-	-	-	-	-	-	1,459,826
-	24,324	-	-	-	-	43,106	900,600
-	490,856	313,281	4,464	-	3,926	-	1,362,011
7,324	2,696,460	313,281	6,179	-	6,594	43,106	12,891,641
-	-	-	-	-	-	-	88,064
-	-	-	-	-	-	-	210,114
-	-	-	5,032	-	-	-	2,274,349
8,070	2,683,893	678,424	-	-	-	-	10,446,508
-	-	-	-	-	950	37,693	2,491,895
8,070	2,683,893	678,424	5,032	-	950	37,693	15,510,930
(746)	12,567	(365,143)	1,147	-	5,644	5,413	(2,619,289)
-	-	332,065	-	-	-	-	3,262,705
-	-	-	-	-	-	-	38,238
-	-	-	-	-	-	-	(118,367)
-	-	332,065	-	-	-	-	3,182,576
(746)	12,567	(33,078)	1,147	-	5,644	5,413	563,287
892	951,715	72,741	9,141	100	48,345	48,332	4,935,531
\$ 146	\$ 964,282	\$ 39,663	\$ 10,288	\$ 100	\$ 53,989	\$ 53,745	\$ 5,498,818

LENAWEE COUNTY, MICHIGAN
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2006

	403 Building and Site	404 Airport Public Improvement	405 Maintenance Equipment and Replacement	466 Building Authority Capital Projects-Jail	467 Jail Building & Inmate Maintenance	471 Library Building	Total
<u>ASSETS</u>							
Assets							
Cash and cash equivalents	\$ 585,515	\$ 21,475	\$ 103,472	\$ 86,294	\$ 87,415	\$ 65,422	\$ 949,593
Due from other governments	-	-	-	-	10,457	-	10,457
Due from other funds	-	-	-	-	-	6,400	6,400
<u>TOTAL ASSETS</u>	\$ 585,515	\$ 21,475	\$ 103,472	\$ 86,294	\$ 97,872	\$ 71,822	\$ 966,450
<u>LIABILITIES AND FUND BALANCE</u>							
Liabilities							
Accounts payable	\$ 230,304	\$ -	\$ -	\$ 237	\$ 143	\$ -	\$ 230,684
Fund balance							
Unreserved - designated for future expenditures	355,211	-	-	-	-	-	355,211
Unreserved - undesignated	-	21,475	103,472	86,057	97,729	71,822	380,555
	355,211	21,475	103,472	86,057	97,729	71,822	735,766
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	\$ 585,515	\$ 21,475	\$ 103,472	\$ 86,294	\$ 97,872	\$ 71,822	\$ 966,450

LENAWEE COUNTY, MICHIGAN
Combining Statement of Revenue, Expenditures
and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2006

	403	404	405	466	467	471	
	Building	Airport	Maintenance	Building	Jail Building	Library	
	and Site	Public	Equipment	Authority	& Inmate	Building	Total
		Improvement	and	Capital	Maintenance		
			Replacement	Projects-Jail			
Revenue							
Use of money and property	\$ -	\$ 560	\$ -	\$ 6,766	\$ -	\$ 391	\$ 7,717
Federal grants	-	-	-	-	10,457	-	10,457
State grants	32,671	-	-	-	1,500	-	34,171
Charges for services	-	-	-	-	13,381	-	13,381
Other	-	18,994	1,627	-	28,379	3,985	52,985
Total revenue	32,671	19,554	1,627	6,766	53,717	4,376	118,711
Expenditures							
Public safety	-	-	-	57,434	64,896	-	122,330
Community enrichment and development	414,989	-	4,993	-	-	102,373	522,355
Total expenditures	414,989	-	4,993	57,434	64,896	102,373	644,685
Revenue over (under) expenditures	(382,318)	19,554	(3,366)	(50,668)	(11,179)	(97,997)	(525,974)
Other financing sources (uses)							
Transfers in:							
County appropriation	400,000	-	-	-	25,000	-	425,000
Other	-	-	30,000	-	-	6,400	36,400
Transfers (out)	(82,984)	-	-	-	-	-	(82,984)
Total other financing sources (uses)	317,016	-	30,000	-	25,000	6,400	378,416
Net change in fund balances	(65,302)	19,554	26,634	(50,668)	13,821	(91,597)	(147,558)
Fund balance, beginning of year	420,513	1,921	76,838	136,725	83,908	163,419	883,324
Fund balance, end of year	\$ 355,211	\$ 21,475	\$ 103,472	\$ 86,057	\$ 97,729	\$ 71,822	\$ 735,766

LENAWEE COUNTY, MICHIGAN
Combining Statement of Net Assets
Nonmajor Enterprise Funds
December 31, 2006

	595	603	647	692	
	Jail	Summer	Equalization	Business	
	Commissary	Tax	Revolving	Loan	
		Collection		Revolving	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 9,731	\$ 124,951	\$ -	\$ 545,669	\$ 680,351
Accounts receivable	3,354	-	71,010	2,045	76,409
Total current assets	13,085	124,951	71,010	547,714	756,760
Other assets					
Loans receivable	-	-	-	1,194,527	1,194,527
Total assets	13,085	124,951	71,010	1,742,241	1,951,287
LIABILITIES					
Current liabilities					
Accounts payable	12,554	-	393	-	12,947
Accrued wages and benefits	-	1,703	3,328	-	5,031
Interfund payable	-	-	52,246	-	52,246
Total current liabilities	12,554	1,703	55,967	-	70,224
NET ASSETS					
Unrestricted	531	123,248	15,043	1,742,241	1,881,063
Total net assets	\$ 531	\$ 123,248	\$ 15,043	\$ 1,742,241	\$ 1,881,063

LENAWEE COUNTY, MICHIGAN
Combining Statement of Revenue, Expenses and
Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended December 31, 2006

	595	603	647	692	
	Jail	Summer	Equalization	Business	
	Commissary	Tax	Revolving	Loan	Total
		Collection		Revolving	
Operating revenue					
Charges for services	\$ 187,373	\$ 77,464	\$ 255,450	\$ -	\$ 520,287
Other	-	16	325	43,374	43,715
Total operating revenue	187,373	77,480	255,775	43,374	564,002
Operating expenses					
Personal services costs	-	92,355	149,087	-	241,442
Supplies and other operating expenses	187,864	27,645	92,473	206,458	514,440
Total operating expenses	187,864	120,000	241,560	206,458	755,882
Operating income (loss)	(491)	(42,520)	14,215	(163,084)	(191,880)
Non-operating revenue (expenses)					
Interest income	-	107,106	-	64,933	172,039
Transfers to other funds	-	-	(4,064)	-	(4,064)
Change in net assets	(491)	64,586	10,151	(98,151)	(23,905)
Net assets, beginning of year	1,022	58,662	4,892	1,840,392	1,904,968
Net assets, end of year	\$ 531	\$ 123,248	\$ 15,043	\$ 1,742,241	\$ 1,881,063

LENAWEE COUNTY, MICHIGAN
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2006

	595	603	647	692	
	Jail	Summer	Equalization	Business	
	Commissary	Tax	Revolving	Loan	Total
		Collection		Revolving	
Cash flows from operating activities					
Cash received from customers, residents and users	\$ 187,967	\$ 77,464	\$ 244,440	\$ (2,045)	\$ 507,826
Other operating receipts	-	16	325	43,374	43,715
Cash paid to employees and suppliers	(184,215)	(119,897)	(240,701)	(3,164)	(547,977)
Net cash provided by (used in) operating activities	3,752	(42,417)	4,064	38,165	3,564
Cash flows from non-capital financing activities					
Payments received on loans receivable	-	-	-	6,679	6,679
Transfers to other funds	-	-	(4,064)	-	(4,064)
Net cash provided by (used in) non-capital financing activities	-	-	(4,064)	6,679	2,615
Cash flows from investing activities					
Interest income received	-	107,106	-	64,933	172,039
Net increase in cash and cash equivalents	3,752	64,689	-	109,777	178,218
Cash and cash equivalents, beginning of year	5,979	60,262	-	435,892	502,133
Cash and cash equivalents, end of year	\$ 9,731	\$ 124,951	\$ -	\$ 545,669	\$ 680,351

Continued...

LENAWEE COUNTY, MICHIGAN
Combining Statement of Cash Flows (Concluded)
Nonmajor Enterprise Funds
For the Year Ended December 31, 2006

	603	603	647	692	
	Summer	Summer	Equalization	Business	
	Tax	Tax	Revolving	Loan	Total
	Collection	Collection			
<hr/>					
Statement of Net Assets Classification of Cash					
Current assets - Cash and cash equivalents	\$ 9,731	\$ 124,951	\$ -	\$ 545,669	\$ 680,351
<hr/>					
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (491)	\$ (42,520)	\$ 14,215	\$ (163,084)	\$ (191,880)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
(Increase) decrease in:					
Accounts receivable	594	-	(11,010)	(2,045)	(12,461)
Increase (decrease) in:					
Allowance for uncollectible loans	-	-	-	203,294	203,294
Accounts payable	3,649	-	330	-	3,979
Accrued wages and benefits	-	103	55	-	158
Interfund payable	-	-	474	-	474
<hr/>					
Net cash provided by (used in) operating activities	\$ 3,752	\$ (42,417)	\$ 4,064	\$ 38,165	\$ 3,564
<hr/>					

LENAWEE COUNTY, MICHIGAN
All Agency Funds
Combining Balance Sheet
December 31, 2006

	Agency Funds					
	701	703	721	764	889	
	Trust and	Summer Tax	Library	Inmate	Payroll	
	Agency	Collection	Penal	Trust	Clearing	Total
Assets						
Cash and cash equivalents	\$ 6,344,653	\$ 740,109	\$ 323,370	\$ 25,271	\$ 465,326	\$ 7,898,729
Accounts receivable	75,372	-	-	-	-	75,372
Total assets	<u>\$ 6,420,025</u>	<u>\$ 740,109</u>	<u>\$ 323,370</u>	<u>\$ 25,271</u>	<u>\$ 465,326</u>	<u>\$ 7,974,101</u>
Liabilities						
Undistributed fees, taxes and other collections	<u>\$ 6,420,025</u>	<u>\$ 740,109</u>	<u>\$ 323,370</u>	<u>\$ 25,271</u>	<u>\$ 465,326</u>	<u>\$ 7,974,101</u>

Single Audit Act Compliance

LENAWEE COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards
For the December 31, 2006 Audit

Federal Grantor or Pass-Through Agency Program Title	CFDA #	Pass-Through Grantor # or Agreement #	Federal Expenditures
U.S. Department of Agriculture			
Passed-through the Michigan Department of Education:			
National School Lunch Program	10.555	46-000-8003	\$ 41,656
School Breakfast Program	10.553	46-000-8003	27,567
Food Donation			
Entitlement Commodities	10.550	46-000-8003	3,089
Bonus Commodities	10.550	46-000-8003	429
Total U.S. Department of Agriculture			<u>72,741</u>
U.S. Department of Housing and Urban Development			
Passed-through the Michigan Department of Commerce:			
Community Development - States Program	14.228	MSC-2005-0797-HOA	6,500
Community Development - States Program	14.228	MSC-2003-0797-HOA	2,181
Subtotal - Michigan Department of Commerce			8,681
Passed-through the Michigan Economic Development Corporation:			
Community Development - States Program	14.228	MSC 204025-EDPA	1,715
Total U.S. Department of Housing and Urban Development			<u>10,396</u>
U.S. Department of Justice			
Bureau of Justice Assistance:			
Bullet Proof Vest Partnership	16.607		10,457
Passed-through the Michigan Department of State Police:			
Edward Byrne Memorial Formula Grant	16.579	70103-9K98	22,710
Total U.S. Department of Justice			<u>33,167</u>
U.S. Department of Transportation			
Formula Grants for Other Than Urbanized Areas - Section 5311	20.509		75,077
Passed-through the Michigan Office of Highway Safety Planning:			
Youth Alcohol Enforcement	20.600	JJ-06-12	9,416
Enforcement Grant	20.600	PT-06-03	42,686
Subtotal - Michigan Office of Highway Safety Planning			<u>52,102</u>
Total U.S. Department of Transportation			<u>127,179</u>
Environmental Protection Agency			
Passed-through the Michigan Department of Environmental Quality:			
Capital Grants for Drinking Water State Revolving Funds:			
Arsenic Rule Implementation	66.468	PCA 41867	938
Capacity Development	66.468	PCA 41868	-
Operator Certification	66.471	PCA 79054	5,200
Total Environmental Protection Agency			<u>6,138</u>

(continued...)

LENAWEE COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards (Continued)
For the December 31, 2006 Audit

Federal Grantor or Pass-Through Agency Program Title	CFDA #	Pass-Through Grantor # or Agreement #	Federal Expenditures
U.S. Department of Health and Human Services			
Passed-through the Region II Area Agency on Aging:			
Aging Cluster			
Special Programs for the Aging Title III, Part B - Grants for Supportive Services and Senior Centers			
Outreach	93.044		\$ 10,345
Senior Center Staffing:	93.044		13,461
Volunteer Transportation:	93.044		3,317
Home Care Assistance	93.044		26,008
Special Programs for the Aging Title III, Part C - Nutrition Services			
Nutrition Congregate	93.045		78,865
Home Delivered Meals	93.045		76,836
Nutrition Services Incentive Program			
Nutrition Congregate	93.053		31,202
Home Delivered Meals	93.053		74,142
Special Programs for the Aging Title III, Part D - Disease Prevention and Health Promotion Services			
Disease Prevention	93.043		5,001
National Family Care Giver Support			
Kinship	93.052		18,101
Information and Assistance	93.052		2,000
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779		10,078
Subtotal - Region II Area Agency on Aging			349,356
Passed-through the Michigan Department of Community Health:			
Family Planning Services	93.217		97,414
Immunization Grants			
Vaccines	93.268		415,472
Immunization - Other	93.268		28,670
Immunization - IAP	93.268		21,045
Centers for Disease Control and Prevention, Investigation and Technical Assistance			
Wisewoman Coordination	93.283		25,907
Breast and Cervical Cancer	93.283		54,205
Bioterrorism	93.283		222,249
Medical Assistance Program			
Case Management	93.778		13,271
Maternal & Child Health Services Block Grant to the States			
CSHCS Outreach and Advocacy	93.994		10,917
MCH Block Grant	93.994		68,386
Subtotal - Michigan Department of Community Health			957,536

(continued...)

LENAWEE COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards (Concluded)
For the December 31, 2006 Audit

Federal Grantor or Pass-Through Agency Program Title	CFDA #	Pass-Through Grantor # or Agreement #	Federal Expenditures
U.S. Department of Health and Human Services (continued)			
Passed-through the Michigan Family Independence Agency:			
Family Support Payments to States - Assistance Payments	93.560		\$ 179,562
Child Support Enforcement			
Title IV-D - CRP Friend of the Court	93.563		845,523
Title IV-D - CRP Prosecuting Attorney	93.563		<u>108,540</u>
Subtotal - Michigan Family Independence Agency			<u>1,133,625</u>
Total U.S. Department of Health and Human Services			<u>2,440,517</u>
U.S. Department of Homeland Security			
Passed-through the Michigan Department of State Police:			
Interoperable Communications Equipment	97.004		22,000
Emergency Management Performance Grant	97.042		19,980
State Homeland Security Grant	97.067		428,996
Buffer Zone Protection Program	97.078		<u>37,282</u>
Subtotal - Michigan Department of State Police			<u>508,258</u>
Passed-through the Michigan Department of Natural Resources:			
Marine Safety Program Grant	97.012		<u>10,000</u>
Total U.S. Department of Homeland Security			<u>518,258</u>
Total Federal Financial Assistance			<u><u>\$ 3,208,396</u></u>

LENAWEE COUNTY, MICHIGAN

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2006

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lenawee County, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. FISCAL YEAR

Federal expenditures reported on the accompanying schedule of expenditures of federal awards include certain amounts that are reported for the year ended September 30, 2006 to coincide with the fiscal year of the fund in which the expenditures are reported. The funds passed through the Region II Area Agency on Aging and the Michigan Department of Community Health are presented for the year ended September 30, 2006.



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF PRIMARY GOVERNMENT
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

May 16, 2007

To the Board of Commissioners of
Lenawee County, Michigan
Adrian, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of ***Lenawee County, Michigan***, as of and for the year ended December 31, 2006, which collectively comprise the County's primary government financial statements, and have issued our report thereon dated May 16, 2007. In our report our opinion was qualified as follows. The primary government financial statements, because they do not include the financial data of component units of Lenawee County, Michigan, do not purport to, and do not, present fairly the financial position of Lenawee County, Michigan, as of December 31, 2006, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America. We did not audit the financial statements of the Medical Care Facility Enterprise Fund which is a major fund. In addition, the Medical Care Facility represents 28% and 74% of the business-type activity assets and program revenues, respectively. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Medical Care Facility, is based solely on the report of the other auditors. The audit of the Medical Care Facility was not performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lenawee County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency in internal control over financial reporting described in the accompanying schedule of finding and questioned costs as item 2006-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

However, we noted other matters involving the internal control over compliance, financial reporting and/or operating efficiency that we have reported to management of Lenawee County in a separate letter dated May 16, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lenawee County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the Board of Commissioners, others within the organization, and federal awarding and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is positioned in the lower right area of the page.



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

 *an independent member of*
BAKER TILLY
INTERNATIONAL

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

May 16, 2007

To the Board of Commissioners of
Lenawee County
Adrian, Michigan

Compliance

We have audited the compliance of ***Lenawee County, Michigan***, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. Lenawee County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lenawee County's management. Our responsibility is to express an opinion on Lenawee County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lenawee County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lenawee County's compliance with those requirements.

In our opinion, Lenawee County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of Lenawee County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lenawee County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of finding and questioned costs as item 2006-2 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

In our report our opinion was qualified as follows. The primary government financial statements, because they do not include the financial data of component units of Lenawee County, Michigan, do not purport to, and do not, present fairly the financial position of Lenawee County, Michigan, as of December 31, 2006, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Medical Care Facility Enterprise Fund which is a major fund. In addition, the Medical Care Facility represents 28% and 74% of the business-type activity assets and program revenues, respectively. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Medical Care Facility, is based solely on the report of the other auditors.

Lenawee County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Lenawee County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, the Board of Commissioners, others within the organization, and federal awarding and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

LENAWEE COUNTY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	<u>Qualified for omission of component units</u>
	<u>Unqualified for primary government financial statements</u>

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> yes <u> X </u> no
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Significant deficiency(ies) identified not considered to be material weaknesses?	<u> X </u> yes <u> </u> none reported
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Noncompliance material to financial statements noted?	<u> </u> yes <u> X </u> no
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Federal Awards

Internal Control over major programs:

Material weakness(es) identified?	<u> </u> yes <u> X </u> no
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Significant deficiency(ies) identified not considered to be material weaknesses?	<u> X </u> yes <u> </u> none reported
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Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	<u> </u> yes <u> X </u> no
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LENAWEE COUNTY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2006

SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.044, 93.045 & 93.053	Aging Cluster
93.268	Immunization Grants
93.283	Centers for Disease Control and Prevention Technical Assistance Grants

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

2006-1 Preparation of Financial Statements in Accordance with GAAP

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

LENAWEE COUNTY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2006

Condition:	As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its <i>external</i> auditors, who cannot by definition be considered a part of the government's <i>internal</i> controls.
Cause:	This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.
Effect:	As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.
Management's response:	The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2006-2 Allocation and Certification of Payroll Expenditures

Criteria:	The Office of Management and Budget Circular No. A-87, <i>Cost Principles for State, Local, and Indian Tribal Governments</i> , requires that when employees work on multiple activities, the distribution of their salaries or wages must be supported by personnel activity reports, except when a substitute system has been approved by the cognizant Federal agency. The Circular requires these reports be prepared at least monthly and must coincide with one or more pay periods.
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LENAWEE COUNTY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Concluded)

FOR THE YEAR ENDED DECEMBER 31, 2006

Condition:	During the year ended December 31, 2006, the Department on Aging allocated payroll charges to federal programs, including the Aging Cluster programs, based on pre-determined percentages that had been determined by management. However, these percentages had remained static for several years and did not specifically coincide with particular pay periods. It appears the Department on Aging is not allocating wages and salaries in a manner consistent with federal guidelines.
Cause:	This condition appears to be the result of (1) past practice not having been previously questioned by the pass-through entity, and (2) lack of specific knowledge and understanding of the payroll allocation methods allowed by federal guidelines.
Effect:	This condition increases the risk that the County will report an incorrect amount for expenditures related to the grants administered by the Department on Aging.
Recommendation:	We recommend that the County implement a new payroll allocation method for the Department on Aging that is consistent with federal guidelines. Employees should track on their timesheets the number of hours spent working for each federal program. The timesheets should be signed by the employee and a supervisor who had direct knowledge of the employee's work schedule. Using the information from the timesheets, salaries and wages could be allocated to the various federal programs and tracked through the accounting system which is already well established.
Management's response:	As the Aging Cluster programs had never been tested as a major program before 2006 and the pass-through entity had never sited it as a deficiency, management was unaware that the method they were using to allocate wages and salaries was inconsistent with federal guidelines. During 2007, the Department on Aging plans to implement an allocation system based upon actual timesheet data which will comply with requirements.

SECTION IV – PRIOR YEAR FINDINGS

No matters were reported.

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REHMANN ROBSON

Certified Public Accountants

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May 16, 2007

To the Board of Commissioners of
Lenawee County
Adrian, Michigan

We have audited the financial statements of Lenawee County for the year ended December 31, 2006, and have issued our report thereon dated May 16, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated January 16, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Lenawee County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Lenawee County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Lenawee County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Lenawee County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Lenawee County's compliance with those requirements.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Lenawee County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Lenawee County during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Lenawee County's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Lenawee County, either individually or in the aggregate, indicate matters that could have a significant effect on Lenawee County's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Lenawee County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the Board of Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Lobson". The signature is written in a cursive style with a large, prominent 'L' at the beginning.

LENAWEE COUNTY

Comments and Recommendations

For the Year Ended December 31, 2006

In planning and performing our audit of the financial statements of Lenawee County as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we identified certain deficiencies in internal control that we consider to be significant deficiencies, which are described in the Schedule of Findings and Questioned Costs in the County's Single Audit report.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Other Matters

Internal Controls – Bank reconciliations

During our audit of cash and our consideration of the internal controls relating to cash, we noted that the recording of cash transactions and bank reconciliations are performed by the same individual. We examined numerous bank reconciliations noting there is no independent review once the reconciliations are completed. We recommend that the County consider enhancing controls by establishing a process by which an individual, separate from the recording function, review and document the review of the completed reconciliations. In addition, we noted that there are many outstanding checks that date as far back as 2000. We recommend the County investigate old checks and escheat amounts to the State in accordance with the applicable laws.

LENAWEE COUNTY

Comments and Recommendations (Concluded)

For the Year Ended December 31, 2006

Cash Receipts

During our consideration of internal controls over cash receipts, it was noted that in certain instances, manual receipts must be given for cash received. Currently, non-sequential manual receipts are used and no procedure exists for tracking these receipts. We recommend the County implement new policies requiring the use of sequentially numbered receipts and that an individual that is not responsible for handling cash perform a reconciliation of the receipts.

Property Tax Distributions/Reconciliation of Agency Fund Accounts

For the year ended December 31, 2006, we noted balances in certain Agency Fund accounts that had not been reconciled. All balance sheet accounts on the County's general ledger should be reconciled on a periodic basis.

This included certain accounts which account for the collection and distribution of tax receipts. During the year ended December 31, 2006, the County overlooked payments to the State for the trailer tax and the delinquent summer personal property tax and did not discover the oversight until our examination of the accounts during fieldwork. We recommend that the County perform reconciliations of these accounts on a periodic basis to ensure that timely payments are made in accordance with State requirements.

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